

Report on South Carolina Electric & Gas Company's Annual Request for Revised Rates

A Publication of the South Carolina Office of Regulatory Staff

2010-157-E

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INTRODUCTION

This document contains the South Carolina Office of Regulatory Staff's ("ORS") Report on South Carolina Electric & Gas Company's ("SCE&G" or "Company") Annual Request for Revised Rates ("ARRR") filed in Public Service Commission of South Carolina ("Commission") Docket No. 2010-157-E.

On May 30, 2008, SCE&G applied under the Base Load Review Act ("BLRA") to the Commission for a Base Load Review Order to construct and operate two 1,117 net MegaWatt ("MW") nuclear generating facilities, Units 2 & 3, (the "Units") to be located at the V.C. Summer Nuclear Station site near Jenkinsville, South Carolina. A hearing on SCE&G's application was held from December 1st to December 17th, 2008. On March 2, 2009, the Commission issued a Base Load Review Order No. 2009-104(A) granting SCE&G permission to construct the Units.

The anticipated net dependable capacity from the two Units is approximately 2,234 MW, of which 55% (1,228 MW) will be available to serve SCE&G customers. South Carolina Public Service Authority ("Santee Cooper") is expected to receive 45% (1,006 MW) of the electric output when the Units are in operation, and is paying 45% of the costs of the construction of the Units. Negotiations continue between the two to establish the terms of a final joint ownership contract. In SCE&G's latest Securities and Exchange Commission ("SEC") filing, SCE&G disclosed uncertainty as to Santee Cooper's joint ownership. Specifically, SCE&G stated that "SCE&G is unable to predict whether any change in Santee Cooper's ownership interest or the addition of new joint owners will increase project costs or delay the commercial operation dates of the new units. Any such project cost increase or delay could be material."

Pursuant to S.C. Code Ann. §58-33-280 of the BLRA, SCE&G may file with the Commission annual requests for revised rates as long as the project is being constructed in accordance with the construction schedules and cumulative cost forecasts approved in Commission Order No. 2009-104(A), as modified in Commission Order No. 2010-12 ("the Commission Orders"). Pursuant to the BLRA, until a nuclear plant enters commercial operation, the rate adjustments related to the plant include recovery only of the weighted

average cost of capital applied to the outstanding balance of construction work in progress (“CWIP”) and shall not include depreciation or other items constituting a return of capital to the utility.

The BLRA allows SCE&G to choose the date on which to calculate the outstanding balance of CWIP. SCE&G utilized the CWIP balance forecasted as of June 30 - the date specified by SCE&G in its ARRR. Exhibit C of the ARRR sets forth the capital structure and weighted average cost of capital. Exhibit D of the ARRR sets forth an increase in retail rates totaling approximately \$54,561,000, based on the projected outstanding balance of CWIP of \$726,228,000 through June 30, 2010.

Pursuant to the BLRA, SCE&G may request revised rates no earlier than one year after the request of a Base Load Review Order or any prior revised rates request. SCE&G filed its ARRR with the Commission on Friday, May 28, 2010. Although the filing occurred on Friday, May 28, 2010, it was made effective May 30, 2010, the anniversary date of SCE&G’s previous ARRR. SCE&G has indicated its intent to file future ARRRs annually with an effective date of May 30.

Pursuant to the BLRA, ORS has two months to examine SCE&G’s ARRR and file with the Commission a report indicating the results of its examination. ORS examined SCE&G’s ARRR to determine the filing’s compliance with the BLRA and Commission Orders. This Report covers the results of ORS’s examination and discusses the items below in the order that they appear:

- **CWIP REVIEW**
- **SUMMARY OF EXPENDITURE EXAMINATION PROCEDURES**
- **ORS ATTACHMENT – 1 DETAIL**
- **CAPITAL STRUCTURE**
- **ALLOCATION OF ADDITIONAL REVENUE REQUIREMENT**
- **RATE DESIGN**
- **REVENUE VERIFICATION**

- **ORS'S REVIEW OF SCE&G'S QUARTERLY REPORT**
- **BUDGET AND CASH FLOW REVIEW**
- **CONCLUSION**
- **ORS ATTACHMENT – 1**
- **ORS ATTACHMENT – 2**
- **ORS ATTACHMENT - 3**
- **ORS ATTACHMENT - 4**

CWIP REVIEW

ORS's examination of CWIP was limited to actual CWIP expenditures reported for the review period, July 1, 2009, through June 30, 2010, together with the associated revenue requirement and Allowance for Funds Used During Construction ("AFUDC") calculations.

The purpose of the examination was to verify that:

- Actual capital expenditures reflected in the Company's filing were complete, accurate, and supported by the books and records of the Company;
- Actual costs were properly allocated between SCE&G and its co-owner, Santee Cooper, and accurately assigned to the cost categories set forth in the base load application;
- Gross cost of capital as of June 30, 2010, was calculated accurately and supported by the books and records of the Company; and
- Calculations of the AFUDC were accurate and properly reflected in the CWIP balance at June 30, 2010.

The results of our examination of the ARRR and the underlying financial records through June 30, 2010, are contained in ORS Attachment - 1.

SUMMARY OF EXPENDITURE EXAMINATION PROCEDURES

The key steps performed are summarized below:

- Interviewed key accounting personnel within SCE&G New Nuclear Deployment and reviewed the audit work papers from the prior request to reacquaint ourselves with the existing processes and gain an understanding of any changes in the accounting team or new processes being performed by the Company.
- Toured the construction site routinely during the review period to provide ORS with a visual frame of reference in conducting our examination.
- Obtained invoice-level listings of all charges to CWIP during the period.
- Selected samples of invoice items to test in detail, including inter-departmental cross-charges. Verified the mathematical accuracy of sampled invoices and related support, and verified that each was incurred during the review period.
- Ensured that the nature of each expenditure is related to the project, and that the amounts are reasonable.
- Ensured charges were approved by Company management prior to booking, were accrued into the month incurred, and were coded into the appropriate construction cost categories as set forth in the base load review application.
- Recalculated escalation amounts for accuracy using the appropriate inflation indices.
- Obtained from the Company certain roll-forward and trend schedules; tested them to ensure the ending CWIP balance from June 30, 2009, together with incremental costs incurred during the review period, supported the reported balance at June 30, 2010, both in total and by cost category, including the costs of transmission projects tracked on separate work orders, but included in CWIP.
- Determined that the ending CWIP totals reconciled properly to general ledger detail. For the quarter-end balances, ensured they agreed with the Company's published Schedule 10-Q as filed with the Securities & Exchange Commission, and with Form 1 as filed with the Federal Energy Regulatory Commission.
- Verified that payment had actually been made to the vendors by examining bank drafts and wire transfer acknowledgements.
- Traced each invoice item to the People Soft payment vouchers noting the required

approvals were present. Also traced the EPC items to internal approval sheets signed by construction management.

- Performed a test of payroll costs charged to the project, noting that employees' gross pay was supported by the payroll department records, that their time was properly allocated to the project, and that charges reconciled to the general ledger detail.
- Recalculated the AFUDC for the test year using actual CWIP expenditures in lieu of the projected amounts reflected in the Company's Application. Total AFUDC of \$13,573,583 was calculated for the period under examination.

ORS ATTACHMENT - 1 DETAIL:

REVENUE REQUIREMENT AND CWIP THROUGH JUNE 30, 2010

ORS Attachment - 1 shows the CWIP included in rates as of June 30, 2009, incremental additions to CWIP and AFUDC for the review period, and total CWIP as of June 30, 2010. The attachment's format is designed to reflect "Revised Rates Filing" projected CWIP as compared to both the "Actual" CWIP per book amount, and the "Allowable" CWIP. All amounts presented on ORS Attachment - 1 reflect the Company's portion after applying the allocation with Santee Cooper.

Column (A) reflects Revised Rates Filing CWIP through June 30, 2010, of \$726,228,000, and incremental CWIP for the review period of \$461,903,000. Utilizing this incremental CWIP balance and the projected gross cost of capital, the Company's projected incremental revenue requirement per the request was \$56,722,000 in total, or \$54,561,000 after applying the retail allocation factor of 96.19% (provided by the ORS Electric Department for rate design purposes).

Column (B) presents Actual CWIP through June 30, 2010, as verified by ORS examination, totaling \$665,748,000. Incremental actual CWIP for the review period was \$401,423,000.

Column (C) reflects the Allowable CWIP through June 30, 2010, computed as \$665,748,000. Incremental allowable CWIP for the review period was \$401,423,000. Utilizing this actual CWIP balance and the gross cost of capital at June 30, 2010 (12.32%),

the Company's incremental revenue requirement is \$49,455,000 in total, or \$47,571,000 after applying the retail allocation factor.

Column (D) calculates the differences between Columns (A) and (B). The difference in incremental CWIP shown in the Revised Rates Filing figures versus the Actual column was \$60,480,000, indicating that the actual, audited CWIP per the Company books was less than the projected CWIP by that amount.

Column (E) calculates the differences between Columns (B) and (C). There are no costs to be carried over to the Company's next ARRR.

CAPITAL STRUCTURE

S.C. Code Ann. §58-33-280(B) states, "a utility must be allowed to recover through revised rates its weighted average cost of capital ... calculated as of a date specified in the filing." Exhibit C of SCE&G's ARRR shows the capital structure for the Company as of March 31, 2010 and adjusted for actual and planned equity transfers through June 30, 2010. The adjusted Total Capitalization is shown as \$6,143,095,526, with a Net-of-Tax Rate of Return of 8.60% ("Weighted Average Cost of Capital") and a Gross-of-Tax Rate of Return of 12.28%.

The Company's filed capital structure included two adjustments, both to common equity, to reflect two actions planned to take place by June 30, 2010. The first adjustment was an addition of approximately \$50,000,000 to common equity from the net proceeds of an equity issuance announced May 10, 2010. The Company confirmed net proceeds from the sale of about \$57,000,000, of which about \$50,000,000 was transferred on June 15, 2010 from SCANA to SCE&G. The second adjustment was an increase of approximately \$22,500,000 to common equity arising from Stock Purchase-Savings Plans ("Plan").

Due to a lock-in rate and a swap transaction, the cost of long-term debt changed from 5.86% to 5.90% in numbers updated by SCE&G through June 30, 2010. This rate is within the range of reasonableness for corporate bond rates. ORS verified the weighted average cost of debt from data supplied by the Company. There was no addition to the amount of long-term debt.

Actual adjustments also included earnings retained to common equity, net proceeds from stock issued, additions to equity from the Plan and various other reinvestment and employee stock plans. Additions to common equity brought its total to \$3,299,026,998, increased total capitalization to \$6,164,451,998 and raised the ratio of common equity to total capitalization to 53.52%. This ratio is within the range of reasonableness for a common equity ratio of an electric operating company. These adjustments to the total capitalization and its components, therefore, appear reasonable.

Attachment - 2 of this Report shows the actual capital structure as of June 30, 2010. This capital structure applied to the embedded cost rates equal net cost of capital rate of return of 8.63% and a gross-of-tax rate of return of 12.32%.

ALLOCATION OF ADDITIONAL REVENUE REQUIREMENT

South Carolina Code §58-33-270(D) of the BLRA requires "... that the additional revenue requirement to be collected through revised rates shall be allocated among customer classes based on the utility's South Carolina firm peak demand data from the prior year." ORS verified that the Company used the summer firm peak demand day of August 11, 2009, along with the coincident class firm peaks, to determine the appropriate percentages upon which to allocate the additional revenue requirements, as shown on Exhibit B of SCE&G's ARRR. The firm peak demand was based on the approved four-hour coincident peak allocation methodology. The City of Greenwood was the only firm wholesale customer of SCE&G during 2009 that was excluded from these allocations because it was no longer a customer after 2009. The appropriate South Carolina retail firm demand allocation of the system total is 96.19% as shown on Exhibit B of SCE&G's ARRR.

RATE DESIGN

The BLRA states "In establishing revised rates, all factors, allocations, and rate designs shall be as determined in the utility's last rate order...." ORS examined the Company's proposed revised rates in this filing and found the rate designs were consistent with those approved in the Company's general rate case in Commission Order No. 2007-855 issued under Docket No. 2007-229-E. There were no changes to the basic facilities charges for any of the

residential rate schedules. Subsequent to the Company's ARRR filing, the Commission approved new base rates in Docket No. 2009-489-E in Order No. 2010-471; however, for purposes of revised rates the rate designs are based on Order No. 2007-855 as noticed in the Company's ARRR. Order No. 2007-855 was the utility's last rate order at the time the Company's application was filed.

REVENUE VERIFICATION

ORS verified that the proposed revised tariffs in SCE&G's ARRR Exhibit F generate the additional revenues totaling \$54,558,588 shown in ARRR Exhibit E.¹ ORS's review per Attachment - 1 determined the appropriate retail revenue target increase to be \$47.571 million instead of the Company's proposed \$54.561 million as shown in ARRR Exhibit D. ORS's review resulted in a decrease of \$6.99 million or 12.8% of the Company's request. The total additional revenues of \$47,571,000 allocated by class are shown on ORS Attachment - 3. This Attachment also includes the annual class revenues generated under the currently approved rates in Docket No. 2009-489-E. Since the general lighting schedules do not contribute to SCE&G's firm peak demand, those schedules of rates were not affected by the revised rates filing and received no increase in charges. It is difficult to set rates to exactly produce precise dollar amounts due to the general complexity of rate designs of the various tariffs, their interdependent relationships, and the large number of billing determinants associated with these calculations. The commonly accepted practice is to adjust rates while maintaining the appropriate rate design and generate revenues close to the desired level without exceeding the targeted amount.

Subsequent to ORS's review and reduction of \$6.99 million to the Company's request, the resulting overall increase to the retail class (excluding lighting) as shown on Attachment - 3 is 2.32%. The Company will apply the reduced revenue amount in like proportion to the Company's ARRR using the above criteria if ORS's revenue amount is approved by the Commission. ORS will then verify that these new rates generate the appropriate revenues.

¹ ORS does not utilize ARRR Exhibit G in its analysis and review. Exhibit G displays retail rate impact projections for all years utilizing a fuel factor calculated by using a three month actual fuel factor combined with a nine month forecasted fuel rate factor. This same fuel factor is also used retroactively for historical years shown in Exhibit G. The forecasted sales in Exhibit G were prepared in 2009 and based on forecasts prepared for the Company's financial reports. Forecasts from the 2010 Integrated Resource Plan are not utilized.

ORS'S REVIEW OF SCE&G'S QUARTERLY REPORT

As required by the BLRA, SCE&G included its most recent quarterly report on construction activities at its V.C. Summer Nuclear Station Units 2 & 3 as Exhibit A of the ARRR.² ORS completed and produced a report describing its review of the Quarterly Report. ORS's review of the SCE&G Quarterly Report is attached as ORS Attachment - 4. ORS also included in Attachment - 4 its prior quarterly reports since the last revised rates request.

The quarterly reports discuss the progress SCE&G is making in preparing the site for nuclear construction which may commence when the Nuclear Regulatory Commission ("NRC") issues a Combined License ("COL"). During the 2009 revised rates proceeding, the COL was scheduled to be issued by the NRC no later than July 1, 2011; however, updated NRC schedules show the COL will not be issued before Fall 2011. Notwithstanding the NRC schedule, the project remains on schedule to achieve substantial completion dates of April 1, 2016, for Unit 2 and January 1, 2019, for Unit 3.

BUDGET AND CASH FLOW REVIEW

ORS monitors the overall budget, cash flow, escalation, AFUDC, movement of dollars among cost categories, and use of contingency dollars. Currently, the project is under budget. Specifically, the forecasted cash flow for the completion of Units 2 & 3 as well as the actual project cash flow is below the amount set forth in the Commission Orders.

The BLRA requires a five-year average of escalation rates to be shown in calculating the forecasted project budget. Based on the five-year average, escalation rates continue to decline and reduce the projected cash flow. A 10-year average of escalation rates – also appropriate to use since Unit 3 is projected to be completed in 2019 – reduces forecast cash flow further. The AFUDC rate is lower in this year's ARRR at 7.1%. Last year's ARRR AFUDC rate was 8.08%.

With respect to the cost categories, the Company is notifying ORS of dollar movements within or among the cost categories, the reason for the movements and any budget impacts.

² The SCE&G 2010 2nd Quarter Report is due after July 30, 2010, the due date for ORS's report.

The total contingency dollars used from the contingency pool since the inception of the project are less than 1% of the contingency pool as of June 30, 2010.

CONCLUSION

The purpose of the BLRA is to provide for recovery of prudently incurred costs associated with new base load plants when constructed by investor-owned electrical utilities, while at the same time protecting customers of investor-owned electrical utilities from responsibility for imprudent financial obligations or costs. ORS reviewed the ARRR and conducted an on-site examination of the Company's books and records regarding the Company's capital expenditures and found the expenditures to be prudently incurred. Based on the information reviewed, ORS concludes the project is being constructed in accordance with the construction schedules and cumulative cost forecasts approved in Commission Order Nos. 2009-104(A) and 2010-12, and that the revenue requested by SCE&G should be reduced by \$6.99 million to reflect actual CWIP through June 30, 2010. Pursuant to S.C. Code Ann. §58-33-280(B), the CWIP not included in this filing shall continue to earn AFUDC and may be included in rates through future filings.

ORS ATTACHMENT - 1

South Carolina Office of Regulatory Staff
Base Load Review Act - 2010 Revised Rates Filing Revenue Requirement
VCSNS Units 2 & 3 Construction Work In Progress (CWIP) through June 2010
Docket No. 2010-157-E
(\$ in Thousands)

	SCE&G Revised Rates Filing (A)	ORS Examination			
		Actual (B)	Allowable (C)	Difference (D) (A - B)	Carry Over to 2010-11 (E) (B - C)
CWIP in Rates as of June 30, 2009 (per SC PSC Order No. 2009-696)	\$ 264,325	\$ 264,325	\$ 264,325	\$ -	\$ -
Incremental Actual Additions to CWIP through March 31, 2010 - See Note 1	277,449	277,444	\$ 277,444	5	-
Incremental AFUDC through March 31, 2010	9,330	9,330	\$ 9,330	-	-
Incremental Additions to CWIP April 1 through June 30, 2010	168,288	110,406	\$ 110,406	57,882	-
Incremental AFUDC April 1 through June 30, 2010	6,836	4,243	\$ 4,243	2,593	-
CWIP as of June 30, 2010	<u>\$ 726,228</u>	<u>\$ 665,748</u>	<u>\$ 665,748</u>	<u>\$ 60,480</u>	<u>\$ -</u>
Incremental CWIP	<u>\$ 461,903</u>	<u>\$ 401,423</u>	<u>\$ 401,423</u>	<u>\$ 60,480</u>	<u>\$ -</u>
Gross Cost of Capital	<u>12.28%</u>		<u>12.32%</u>		
Incremental Revenue Requirement	<u>\$ 56,722</u>		<u>\$ 49,455</u>		
Allocation Factor for Retail Operation	<u>96.19%</u>		<u>96.19%</u>		
Allocated Retail Revenue Increase	<u>\$ 54,561</u>		<u>\$ 47,571</u>		

Note 1 - Incremental CWIP through March 31, 2010 includes \$8,650,000 carried over from the 2009 Annual Request for Revised Rates.

ORS ATTACHMENT - 2

South Carolina Office of Regulatory Staff

Capitalization Ratios and Cost of Capital

**SOUTH CAROLINA ELECTRIC & GAS COMPANY/S.C. FUEL COMPANY
REGULATORY CAPITALIZATION RATIOS FOR ELECTRIC OPERATIONS
As of June 30, 2010**

	<u>Amount</u>	<u>Ratio</u>	<u>Embedded Cost</u>	<u>Weighted Average Cost of Capital</u>	<u>Gross of Tax</u>
Long-Term Debt	\$2,865,425,000	46.48%	5.90%	2.74%	2.74%
Common Equity	<u>\$3,299,026,998</u>	<u>53.52%</u>	11.00%	<u>5.89%</u>	<u>9.58%</u>
Total Capitalization	<u>\$6,164,451,998</u>	<u>100.00%</u>		<u>8.63%</u>	<u>12.32%</u>

ORS ATTACHMENT - 3

South Carolina Office of Regulatory Staff
Base Load Review Act - 2010 Revised Rates Filing Revenue Requirement
For South Carolina Electric & Gas Company

RATE CLASS	Order No. 2010-471 Effective July 16, 2010 Annual Revenue	ORS Revised Rates Adjusted Annual Revenue	Incremental Change \$	Incremental Change %
	(A)	(B)	(C)=(A-B)	(D)=(C/A)
RESIDENTIAL	\$ 937,984,010	\$ 960,500,010	\$ 22,516,000	2.40%
SMALL GENERAL SERVICE	\$ 363,005,278	\$ 371,463,278	\$ 8,458,000	2.33%
MEDIUM GENERAL SERVICE	\$ 228,578,095	\$ 234,001,095	\$ 5,423,000	2.37%
LARGE GENERAL SERVICE	\$ 519,377,668	\$ 530,551,668	\$ 11,174,000	2.15%
RETAIL TOTAL (EXCLUDING LIGHTING)	\$ 2,048,945,051	\$ 2,096,516,051	\$ 47,571,000	2.32%

ORS ATTACHMENT - 4

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF'S
SEPTEMBER 30, 2009, DECEMBER 31, 2009 AND
MARCH 31, 2010 QUARTERLY REPORTS
ON THE BUDGET AND SCHEDULE OF
V.C. SUMMER UNITS 2 & 3 CONSTRUCTION**

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF'S
REVIEW OF THE
SOUTH CAROLINA ELECTRIC & GAS COMPANY
3rd QUARTERLY REPORT
FOR THE PERIOD ENDING September 30, 2009
ON THE
BUDGET AND SCHEDULE
OF
V.C. SUMMER UNITS 2 & 3 CONSTRUCTION**



December 31, 2009

South Carolina Electric & Gas Company (“SCE&G” or “the Company”) submitted its 3rd Quarterly Report (“Quarterly Report”) on construction activities at its V.C. Summer Nuclear Station Units 2 & 3 (“Units 2 & 3”) on November 16, 2009. The Quarterly Report covers the quarter ending September 30, 2009, and is submitted pursuant to S.C. Code Ann. § 58-33-277 of the Base Load Review Act (“BLRA”). The BLRA requires SCE&G to document the construction schedule, budget expenditures, completed activities, forecasts of activities to be completed, and any revisions to the original schedule and budget of Units 2 & 3.

There are two distinct schedules: (1) the Milestone Schedule, and (2) the engineering, procurement and construction schedule, together known as the Performance Measurement Baseline Schedule (“PMBS”). The Milestone Schedule adopted in Public Service Commission of South Carolina (“Commission”) Order Number 2009-104A (“BLRA Order”) is composed of 123 significant activities that provide an overall assessment of the construction progress. The Commission’s Order allows any Milestone Schedule activity to be accelerated 24 months or delayed 18 months. While the Milestone Schedule is an “indicator” of construction progress and project health, it is not designed to provide a detailed view of the project. The PMBS is the tool that allows for significant and specific day-to-day construction monitoring.

On July 21, 2009, SCE&G filed with the Commission an “Update of Construction Progress and Request for Updates and Revisions to Schedules.” This filing was entered as Docket No. 2009-293-E by the Commission and contained a request by the Company to update its Milestone Schedule. The updated Milestone Schedule in Docket No. 2009-293-E revises the Commission-approved Milestone Schedule by expanding the original 123 milestones to 146 milestones. The expansion to 146 milestones does not omit any original milestones but simply unbundles several of the 123 milestones into additional milestones to allow for closer tracking of specific activities and aligns the Milestone Schedule more closely with the PMBS.

The Commission formally heard testimony and cross examination of the issues raised by SCE&G in its request for updates and revisions to the schedule on Wednesday, November 4, 2009. Prior to this hearing, SCE&G, the South Carolina Energy Users Committee (“SCEUC”) and the South Carolina Office of Regulatory Staff (“ORS”) formally entered into a settlement agreement supporting SCE&G’s request. Friends of the Earth (“FOE”) did not join this settlement agreement. There were no other parties to the proceeding. At this point in time, the Commission is continuing its review of the SCE&G request. By statute, an order is due in late January 2010.

The Consortium of Westinghouse Electric Company (“WEC”) and Shaw submitted to SCE&G the final PMBS during spring 2009.¹ The PMBS is the contractual schedule used by the Consortium and SCE&G to establish the scheduling goals, forecast of cash flow and accountabilities required in the Engineering, Procurement and Construction (“EPC”) contract. The PMBS contains the detailed completion dates, compliance dates for payments, and critical dates for completion of certain activities prior to the start of other activities. It is important to note that the PMBS will change over time due to numerous internal and external influences

¹ It should be noted that Stone & Webster, LLC is now fully integrated into Westinghouse.

including such issues as weather, delivery schedules, and manufacturing. These schedule changes are normal to any construction project of this magnitude and complexity.

The current status of construction activities based on the PMBS continues to be on schedule. The work activities at the site have been hampered by rainfall during the latter stages of the 3rd Quarter. However, these weather related impacts are anticipated and do not affect the substantial completion dates. ORS's analysis of the critical path activities in the PMBS does not identify any construction issue that will impact substantial completion as stipulated in the BLRA Order and contractually obligated in the EPC Contract.

The current NRC schedule for issuance of the rulemaking for Design Control Document Revision 17 ("DCD-17") is August 2011. This rulemaking is required prior to issuance of the Combined Operating License ("COL"). The current version of the PMBS shows an issuance date of July 2011. While this is a nominal difference in schedule dates, it is an important milestone and one that continues to be a focus of all parties. SCE&G is in the process of actively working to address this schedule difference and is following two tracks to address this:

- 1) SCE&G is working with the Consortium to formulate a strategy to accommodate the schedule difference by investigating changes to the schedule that will allow multiple activities to proceed simultaneously; and,
- 2) SCE&G is working closely with WEC and the NRC to address issues with DCD-17.

In addition, SCE&G has formed a Contingency Team which is tasked with reviewing all construction activities to explore the use of multiple work-shifts, weekend work schedules and other areas where the schedule can be shortened.

ORS continues to be extremely concerned with the NRC and WEC resolution of DCD-17 regarding the Shield Building reanalysis and other activities included in DCD-17. These issues as well as other less critical issues continue to be the center piece of discussions between SCE&G, WEC and the NRC. Their timely resolution is required to support the issuance of the COL and to support the current construction schedule. ORS will continue to express concerns to SCE&G, WEC and the NRC in a constructive manner to help resolve DCD-17 issues.

Lastly, with respect to DCD-17, it must be noted that DCD-17 is not limited to SCE&G's V.C. Summer Units 2 & 3. All purchasers of AP1000 units are working in concert to resolve issues with the NRC. Currently, WEC is preparing the final design summarization documentation for submittal to the NRC in early 2010 which is expected to close out DCD-17. Close-out of DCD-17 will prepare the licensing process to move forward with the final steps for Final Safety Evaluation Report ("FSER") submittal in late 2010 or early 2011. These submittals and the NRC formal Rulemaking in the late 3rd Quarter or early 4th Quarter of 2011 will support the issuance of the COL to maintain substantial completion in 2016 and 2019. ORS recognizes the aggressive nature of this schedule. However, as a result of ORS meeting with WEC on

December 17, 2009, ORS expects there will be a resolution to DCD-17 that does not affect the substantial completion dates required in the EPC contract and the BLRA Order.

Subsequent to the Consortium delivering the PMBS to SCE&G, the Consortium also provided SCE&G with the payment milestones associated with its PMBS. ORS thoroughly evaluated the revised milestone payments and found them to be consistent with construction activities. The construction budget continues to track the cash flow forecast and also continues to support the overall \$4.5 Billion (2007 Dollars) forecast, net of AFUDC.

SCE&G's 3rd Quarterly Report and Milestone Schedule activities show the overall construction is progressing in accordance with the BLRA Order and allowed 18-month milestone deviation. Schedule compliance is being compared to the Milestone Schedule in the approved BLRA Order as well as the request for an Update in the Construction Schedule.²

The 3rd Quarterly Report indicates, and ORS has verified, that as of September 30, 2009: 50 activities have been accelerated; 48 activities have been pushed out into the future; and 48 activities are unchanged; totaling 146 milestones. (It should be noted that these numbers are overall numbers and not individually reflected in the tables below.) Of the 146 milestones 40 activities have been completed and 106 activities still remain to be completed. The Milestone Schedule in the 3rd Quarterly Report, as issued, continues to meet the schedule, within the parameters of the 18-month window, approved in the BLRA Order. There are four (4) milestones that did not meet their original scheduled completion dates in the BLRA Order but fall within the allowed 18-month deviation. SCE&G and the Consortium determined that the completion dates for these four milestones could be delayed without impacting other elements of the construction schedule. As a result, SCE&G and the Consortium has rescheduled these completion dates to integrate more closely with their specific need date. Therefore, the Company's request to adjust the milestone schedule reflects the shifting of these activities to a later completion date. If the Commission approves the request of SCE&G, these activities will be on schedule based on their new need date.

If the Company's request to update the construction schedule is approved by the Commission in Docket 2009-293-E, the overall schedule will be adjusted. As a result, all milestones will match Table 2 below. Comparing the 3rd Quarterly report to the request to update the construction schedule shows that 18 activities have been accelerated; 4 activities have been pushed out into the future; and 124 activities are unchanged; totaling 146 milestones. (It should be noted that these numbers are overall numbers and not individually reflected in the tables below.)

² The Milestone Schedule is subject to modification with approval from the Commission of the Company's request in Docket 2009-293-E.

Table 1 below summarizes the status of the Milestone Schedule as of September 30, 2009, and as compared to the original BLRA Order. Table 1 lists milestones completed on-time, early, completed within the 18-month deviation and milestones that are not complete. Table 2 summarizes the status of the Milestone Schedule as of June 30, 2009, compared to the updated Milestone Schedule presented by the Company in Docket No. 2009-293-E. The modifications proposed by the Company in the updated Milestone Schedule do not impact the Commercial Operation Date ("COD") of Units 2 & 3. ORS will continue to monitor the Milestone Schedule for compliance with construction activities.

Table 1: Summary of the SCE&G Milestone Schedule compared to the approved BLRA Order

Period of 2009-3Q and prior (42 Milestones Total)

Milestones Completed on Schedule: 16, 38%

Milestones Completed Early: 7, 17%

Milestones Completed Within 18 Mos. Deviation: 15, 36%

Milestones Not Complete: 4, 9%

Milestones Outside 18 Mos. Deviation: 0

Period of 2009-4Q and after (104 Milestones Total)

Milestones Completed Early: 2, 2%

Milestones Projected Completion on Schedule: 32, 31%

Milestones Projected Completion Early: 41, 40%

Milestones Projected Completed Within 18 Mos. Deviation: 29, 27%

Note: SCE&G lists a total of 146 milestones in its 3rd Quarterly Report.

Table 2: Summary of the SCE&G Milestone Schedule Compared to the Updated Milestone Schedule presented in Docket No. 2009-293-E

Period of 2009-3Q and prior (40 Milestones Total)

Milestones Completed on Schedule: 37, 93%

Milestones Completed Early: 2, 5%

Milestones Completed Within 18 Mos. Deviation: 1, 2%

Milestones Not Complete: 0

Milestones Outside 18 Mos. Deviation: 0

Period of 2009-4Q and after (106 Milestones Total)

Milestones Completed Early: 0

Milestones Projected Completion on Schedule: 87, 82%

Milestones Projected Completion Early: 16, 15%

Milestones Projected Completed Within 18 Mos. Deviation: 3, 3%

Note: SCE&G lists a total of 146 milestones in its 3rd Quarterly Report.

ORS's review of the budget confirms SCE&G's position that there is a decrease in the forecast total cost of the two units. This budget decrease is due primarily to the calculation of escalation as allowed by the BLRA Order. The budget for SCE&G's portion of Units 2 & 3 was established in 2007 dollars at \$6.3 Billion, including escalation and estimated contingencies. SCE&G's 3rd Quarterly Report shows a budget of \$6.26 Billion as of September 30, 2009. This compares favorably with the \$6.875 Billion as of the 1st Quarterly Report dated March 31, 2009, and \$6.5 Billion in the 2nd Quarterly Report dated June 30, 2009. The reduction of costs over the amount reported in the 1st, 2nd and 3rd Quarterly Reports is due to reductions in the approved indices used to calculate the escalations. As discussed in the previous Quarterly Reports, the BLRA requires the Company to show a 5-year average of index rates in calculating the escalation on capital cost items.

The escalation rates for the construction costs during the 1st and 2nd Quarterly Reports was attributed to higher than average escalation for building material costs during the 2004 to 2007 years. However, as predicted in ORS's review of the 1st and 2nd Quarterly Reports and continuing with this Report, the escalation indices continue to fall and as they fall the higher rates are rolling out of the 5-year average calculation. As each year passes, an older, higher rate

is dropped from the 5-year average and is replaced by the current rate. Currently, the cost effect taking place is advantageous as lower rates are being incorporated into the 5-year average. The overall change to Project Cash Flow as reported in the 1st Quarterly Report was an increase of \$562 Million which then dropped to \$542 Million in the 2nd Quarterly Report. At present, the Project Cash Flow was reduced \$592 million from the 2nd Quarterly Report resulting in an updated forecast cost for SCE&G's share of V. C. Summer Units 2 & 3 of \$6.26 Billion. This is \$50 Million less than the total project cost established in the BLRA Order 2009-104(A). A ten-year average shows the Gross Construction cost, net of AFUDC, would be reduced by \$265 Million. These two figures continue to move in a positive direction, as predicted by ORS (1st Quarterly Report: 1-Year = \$97 Million reduction, 10-Year = \$172 Million reduction vs. 2nd Quarterly Report: 1-Year = \$106 Million reduction and 10-Year = \$181 Million reduction vs. 3rd Quarterly Report: 1-Year = \$1.8 Billion reduction and 10-Year = \$265 Million reduction).

As shown above, the gross construction cost is sensitive to escalation rates. It is reasonable and prudent to monitor the gross construction costs based on trends that are longer and shorter than the 5-year requirement of the BLRA. In addition, the construction period of this project is closer to a 10-year program, and indicates the need to look at not only the 5-year average, but the 10-year average, as well.

If the current economic trends in the Southeast continue to lower the costs of construction and construction-related materials, the overall cost of SCE&G's portion of Units 2 & 3 should remain at or below the \$6.3 Billion approved in the BLRA Order. However, most econometric forecasters believe inflation will turn around and begin to increase as the economy stabilizes and begins to gain positive traction. This is forecasted to occur in 2010. With this possibility, it is very important that SCE&G continue to make appropriate purchasing decisions and scheduling decisions to take advantage of market conditions. For example, SCE&G has taken steps to move certain purchases into the near term and delay some purchases, dependent on favorable procurement terms, to mitigate inflationary influences on the overall cost of Units 2 & 3. This is witnessed by the modifications to the Milestone Schedule.

Basic budget and schedule tracking in the Quarterly Report is adequate for comparison to conditions approved in the BLRA Order. However, there are significant inputs to the various sections that require substantiation. For example, SCE&G reports that AFUDC has increased from 5.52% to 8.08% in the 1st Quarterly Report. SCE&G further suggests that AFUDC rates will decrease to 5.87% "as capital markets recover." The actual AFUDC rate is calculated by a defined Federal Energy Regulatory Commission ("FERC") methodology. As of May 2008, the AFUDC rate was 5.52% as opposed to the rate of 8.08% reported in the 2nd and 3rd Quarterly Report, which is reflective of current economic conditions. Based on the FERC formula, the Company forecasts that AFUDC will be 5.87% at the end of 2009. As a result of recommendations in the 1st Quarterly Report, SCE&G is monitoring the financial conditions that impact AFUDC and will provide a descriptive analysis of AFUDC at the end of each quarter. ORS continues to monitor SCE&G's calculation of AFUDC. The 4th Quarterly Report scheduled for filing on or about February 15, 2010, will provide the latest AFUDC update.

SCE&G increased its efforts to provide details on construction progress relative to the Milestone Schedule. Each adjustment recommended in the updated Milestone Schedule has been reviewed by ORS. The modifications do not change the COD. The schedule updates are more in keeping with the overall goal of completing the project on time and more importantly, on budget. The Milestone Schedule has been increased from 123 milestones to 146 milestones to better track construction activities. Increasing the number of milestones has neither changed the dates in the Milestone Schedule nor the COD. The revisions have been made and suggested to the Commission in order to integrate the Milestone Schedule with the PMBS. The Company formally presented the request for modifications of the milestone schedule to the Commission on November 4, 2009.

The Company's 2nd Quarterly Report identifies the PMBS and related "owner's costs and other items" as affecting the project's cash flow. As this project moves forward, the Company should continue to make every effort to report any details that impact cash flow and gross construction cost, whether it is an actual cost adjustment or a schedule adjustment that results in a cost modification. It is not sufficient to merely state that cost impacts are due to schedule modifications or changes in owner's costs. ORS Audit Department continues to validate project expenditures through audits of the invoices submitted to SCE&G by the Consortium. Concurrently, ORS is verifying field construction, material purchasing and off-site modular construction to establish the link between invoices and actual progress of work activity completion.

In the 3rd Quarterly Report there has been a shift with the cost category, due to Change Order #2, for the SCE&G Reactor Operator Training Instructions, referenced in Section II.E. on page 16 of the Quarterly Report. As a result of the Change Order, relevant cost categories have changed in the cost forecast as well as a shifting from one category to another. In addition, SCE&G has revised its estimate of Owner's Costs to reflect increased staffing of its new nuclear oversight unit and inclusion of permitting and licensing costs not included in previous forecasts. The estimate for the work is higher than previously forecasted which has resulted in an increase in the forecast for Owners Cost by \$52 million in 2007 dollars.

During the current reporting period, there have been a number of significant activities completed or initiated. Instead of listing all of the activities, we will focus on the areas that present concern. For a complete discussion of the *"Progress of Construction of the Units"* see Section II.B. on page 9 of the Quarterly Report. WEC has reported to SCE&G that several "below-expectation" items or activities have been flagged in the design finalization schedule for major engineering work. It should be noted that "below-expectation" does not mean engineering design is substandard. Rather, "below expectation" is a measurement of engineering design completion against the engineering design schedule for the AP1000 China units. The items flagged in this instance are schedule-related. WEC has provided SCE&G with an explanation and recovery plan. At this time, ORS does not anticipate any impact to the substantial completion date. SCE&G and WEC have implemented several action items that has resulted in a reduction of "below-expectation" activities.

In conclusion, the 3rd Quarterly Report filed by SCE&G complies with the requirements of the BLRA and the BLRA Order. The 3rd Quarterly Report also contains responses to all recommendations provided by ORS following the review of the 2nd Quarterly Report and includes expanded discussions of the construction progress, equipment procurement, milestones, cash flow, problem areas and suggested resolutions, engineering design status, NRC status and COL status.

STATUS OF 2nd QUARTER SUGGESTIONS AND RECOMMENDATIONS:

- SCE&G is requested to provide to ORS a copy of the “tracking system” report, referred to in Section II. B. 2. F of its 2nd Quarterly Report, maintained by WEC to track major engineering categories and their schedule for completion
Status: SCE&G has made available the information requested.
- SCE&G activities associated with the NRC’s issuance of the COL appear to be continuing on schedule to meet the mid-2011 date. However, the DCD-17 activities of WEC continue to present concern.
Status: ORS will continue to monitor closely and take appropriate action until the COL is issued.
- Permitting activities for external construction permits such as U.S. Army Corps of Engineers 404 Permit, State of South Carolina Wetlands, NPDES and Erosion Control continue on schedule for issuance as needed.
Status: ORS continues to monitor schedule
- The NRC completed the Phase I Scoping for the Environmental Impact Statement (“EIS”). The NRC schedule to finalize the EIS is March 2010. It is imperative that the NRC keep this schedule in order to support the issuance of Corps 404 permits and the timely issuance of the COL.
Status: ORS is monitoring and will provide review of the EIS upon issuance for Public Comment.
- SCE&G has filed with the Commission an Update of Construction Progress and Request for Updates and Revisions to Schedules (Docket No. 2009-293-E). SCE&G pre-filed testimony with the Commission on September 8th, 2009. A hearing on this issue was held on November 4th, 2009. The Hearing in Docket 2009-293-E was held at the Public Service Commission on November 4, 2009. ORS sponsored expert testimony and was available for cross examination.
Status: ORS’s recommendation was to accept the modifications presented by SCE&G. Neither the substantial completion date nor the overall budget will be impacted by the request of SCE&G.

SUBSTANTIAL ACTIVITIES OCCURRING SUBSEQUENT TO THE ISSUANCE OF THE 3RD QUARTER REPORT

The BLRA allows SCE&G 45 days from the end of the current Quarter to file its Quarterly Report. As a result there is a delay between the end of the quarter and the filing. ORS has determined that there are items of importance that occur subsequent to the closing of the quarter that should be appended to this report. The following activities have occurred since the closing of the 3rd Quarter 2009.

There continues to be concern about the timely resolution of DCD-17 which affects all AP1000 owners in addition to SCE&G. However, while the concern will remain active until the issuance of the COL, WEC and the NRC are working jointly towards the successful conclusion. There is a schedule developed between WEC and the NRC that supports timely resolution. The issue with the shield building design is that the design philosophy is new and as a result, there are no design codes applicable to this type of composite structure. In normal design processes, the applicable calculations are supported by design codes such as the American Concrete Institute ("ACI"), the American Institute for Steel Construction ("AISC"), American Society of Mechanical Engineers ("ASME"), etc. In the instant case, the shield building design with concrete "sandwiched" between two sheets of steel requires the development of the acceptance criteria for this design. This is the process currently underway between WEC and the NRC. The design of the shield building is in no way inferior to previously approved designs.

The NRC continues to hold industry meetings to address all activities associated with the deployment of the AP1000 technology and other technologies such as the Economic Simplified Boiling-Water Reactor ("ESBWR") and the US Advanced Pressurized-Water Reactor ("US-APWR"). In most cases, the NRC has determined that certain aspects of its meetings should be non-public in order for the technical discussions to take place without interruptions and to maintain confidentiality of commercial terms associated with different technologies. ORS has twice requested that the NRC allow ORS representation in the closed meetings due to ORS's regulatory responsibilities. The most recent request was in the form of a letter from the ORS Executive Director to the Secretary of the Nuclear Regulatory Commission dated December 17, 2009 (Copy Attached). Regardless of the outcome of the various requests of the NRC, ORS will continue to maintain a specific focus on the licensing process until the COL is issued.

As reported above, ORS has and will continue to be directly engaged in all aspects of the licensing and construction of the V. C. Summer Units 2 & 3. The most recent of these activities include a meeting held between ORS, SCE&G and WEC at the WEC Corporate office in Charlotte, North Carolina. In furtherance of the ORS responsibilities, a meeting was held with the senior staff of WEC for two purposes: 1) to continue to emphasize to WEC the ORS role and responsibilities assigned it through state law; and 2) to receive regular updates on the status of the entire DCD, including revision 17 issues. It is clear to ORS that the NRC and WEC are working towards a successful conclusion of DCD-17 issues. Subsequent to the conclusion of DCD-17, the NRC will be prepared to rule on DCD-18 which will primarily be an administrative document that formally captures all of the activities leading up to this point in the licensing process.

Listed below are upcoming important dates that support the COL issuance:

January 2010	Tentative Meeting With NRC, WEC, and SCE&G
February 2010	Submittal of Final Design Documentation for DCD-17
June 2010	Revision 18 Submittal
Summer 2010	Advanced Safety Evaluation Report ("SER")

SCE&G's 4th Quarterly Report is due 45 days after December 31, 2009, or no later than February 16, 2010 when considering 45 days falls on a weekend and the subsequent President's Day holiday.



C. Dukes Scott
Executive Director

STATE OF SOUTH CAROLINA
OFFICE OF REGULATORY STAFF

1401 Main Street
Suite 850
Columbia, SC 29201

December 17, 2009

VIA U.S. MAIL

Annette L. Vietti-Cook
Secretary of the Commission
United States Nuclear Regulatory Commission
Mail Stop O-16G4
Washington, DC 20555-0001

Re: South Carolina Electric and Gas Combined License Application

Dear Ms Vietti-Cook:

The South Carolina Office of Regulatory Staff ("ORS") has a statutory duty to represent the public interest in the State of South Carolina with respect to electric utility regulation. Specifically, ORS balances the concerns of the using and consuming public, the financial integrity of public utilities, and the economic development of South Carolina. In balancing these interests, ORS requests that it be allowed to attend meetings held by the Nuclear Regulatory Commission ("NRC") related to matters that could impact the issuance of the South Carolina Electric and Gas Company ("SCE&G") Combined License Application ("COLA") in Docket Nos. 52-027 and 52-028.¹ For instance, ORS understands that issues related to the AP1000 design are currently under review and it appears these matters must be resolved before any utilities', including SCE&G's, COLA is granted. ORS further understands that nuclear construction may not begin until SCE&G's COLA is issued by the NRC.

In Docket No. 2008-196-E, the Public Service Commission of South Carolina ("Commission") granted SCE&G permission to build two new nuclear units in South Carolina, V.C. Summer Nuclear Units 2 and 3, pursuant to the South Carolina Base Load Review Act ("the Act"). The Act authorizes SCE&G to collect financing costs on its capital costs during the construction. The construction is to follow a milestone construction schedule presented by SCE&G and approved by the Commission. Variations in

¹ORS, on behalf of the State of South Carolina, was granted permission by the NRC to participate as an interested state in Docket Nos. 52-027, 52-028, 52-022, and 52-023. These dockets respectively relate to COLAs for the following nuclear facilities: (1) South Carolina Electric & Gas Company's ("SCE&G's") V.C. Summer Nuclear Units 2 and 3 and (2) Progress Energy Carolinas, Inc.'s Shearon Harris Nuclear Power Plant Units 2 and 3.

the milestone construction schedule not approved by the Commission may impact the public interest ORS is charged to represent – the financial impact to South Carolina ratepayers, the financial integrity of SCE&G and economic development in South Carolina. For these reasons, ORS has a vested interest in ensuring the construction is in accordance with the approved milestone schedule and would greatly appreciate the NRC granting permission to ORS to attend meetings with the NRC.

ORS respects the NRC's values and principles of regulation and is sensitive to the public and licensee interests the NRC must appropriately balance. ORS, with its balancing interests, holds the comparable level of regulatory review on the state level, and a relationship with the NRC with regards to regulatory principals will ensure each agency's responsibilities are carried out thoroughly and appropriately.

If you would like to discuss these matters further, please contact ORS attorney Shannon Bowyer Hudson at 803.737.0889 or shudson@regstaff.sc.gov.

Thank you in advance for your time and attention to our request.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Dukes Scott', with a long horizontal flourish extending to the right.

C. Dukes Scott
Executive Director
South Carolina Office of Regulatory Staff

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF'S
REVIEW OF THE
SOUTH CAROLINA ELECTRIC & GAS COMPANY
4th QUARTERLY REPORT
FOR THE PERIOD ENDING DECEMBER 31, 2009
ON THE
BUDGET AND SCHEDULE
OF
V.C. SUMMER UNITS 2 & 3 CONSTRUCTION**



March 17, 2010

South Carolina Electric & Gas Company (“SCE&G” or “the Company”) submitted its 4th Quarterly Report (“Quarterly Report”) on construction activities at its V.C. Summer Nuclear Station Units 2 & 3 (“Units 2 & 3”) on February 16, 2009. The Quarterly Report covers the fourth quarter ending December 31, 2009, and is submitted pursuant to S.C. Code Ann. § 58-33-277 (Supp. 2009) of the Base Load Review Act (“BLRA”). The BLRA requires SCE&G to document the construction schedule, budget expenditures, completed activities, forecasts of activities to be completed, and any revisions to the original schedule and budget of Units 2 & 3.

On July 21, 2009, SCE&G filed with the Public Service Commission of South Carolina (“Commission”) an “Update of Construction Progress and Request for Updates and Revisions to Schedules.” This filing was entered as Docket No. 2009-293-E by the Commission and contained a request by the Company to update its Milestone Schedule. The updated Milestone Schedule set forth in Docket No. 2009-293-E revised the original BLRA Milestone Schedule by expanding the original 123 milestones to 146 milestones. The expansion to 146 milestones does not omit any original milestones but unbundles several of the 123 milestones into additional milestones to allow for closer tracking of specific activities and aligns the Milestone Schedule more closely with the Performance Measurement Baseline Schedule (“PMBS”) as discussed below. On January 21, 2010, the Commission approved the “Update of Construction Progress and Request for Updates and Revisions to Schedules” (Docket No. 2009-293-E) in Order Number 2010-12. Accordingly, the Milestone Schedule approved in Order Number 2010-12 replaces the BLRA Milestone Schedule.

In addition to the Milestone Schedule, the South Carolina Office of Regulatory Staff (“ORS”) also monitors the more detailed engineering, procurement and construction schedule, also known as PMBS. While the Milestone Schedule provides an overall assessment of the construction progress, the PMBS allows specific day-to-day construction monitoring. The PMBS is a contractual schedule used by Westinghouse Electric Company (“WEC”) and Shaw (together as “the Consortium”) and SCE&G to establish scheduling goals, forecasts of cashflow and accountabilities required in the Engineering, Procurement and Construction (“EPC”) contract. The PMBS contains completion dates, payment dates, and critical dates for completion of certain activities prior to the start of other activities. The PMBS will change over time due to numerous internal and external influences such as weather, delivery schedules, efficiency of construction, and manufacturing. The schedule changes are normal to any construction project of this magnitude and complexity; however, the substantial completion dates for Units 2 & 3, April 2016 and January 2019, with associated contingency, may not change without Commission approval.

Pre-construction activities based on the PMBS are on schedule. At the completion of the 4th quarter, all work activities scheduled to be completed by December 31, 2009 were completed. ORS’s review of the PMBS does not identify any pre-construction issue that may impact the substantial completion dates.

ORS continues to be concerned with the review and approval process on Design Control Document (“DCD”) Revision 17 (“DCD-17”) related to the Shield Building reanalysis and other activities. ORS’s requests to attend closed meetings between Westinghouse and the NRC have been denied. Although denied access to NRC and WEC closed meetings, ORS met with

Westinghouse on December 17, 2009 in an effort to obtain information on the NRC review process. To further monitor the progress of the DCD issues ORS requested, and was granted, quarterly meetings with WEC for more detailed status updates.

ORS understands that WEC is preparing final design summarization documentation related to DCD-17 for submittal to the NRC in Spring 2010. This submittal is one month later than expected when ORS completed its 3rd Quarter Review. The NRC cannot move forward to the Final Safety Evaluation Report and issuance of the COL until DCD-17 issues are closed. Timely resolution of NRC issues with WEC is required to support not only SCE&G's construction schedule, but the issuance of all applications before the NRC requesting a Combined License ("COL") to operate an AP1000 unit. Accordingly, the NRC questions to Westinghouse through the DCD are affecting all owners of AP1000 units, not just SCE&G. The owners of AP1000 units are working together to assist Westinghouse in resolving matters before the NRC. In addition, ORS is communicating with agency counterparts in other states for comparison of information.

SCE&G stated in its Quarterly Report ending December 31, 2009 that it does not expect the COL to be issued by the NRC prior to late 2011 or early 2012. The current PMBS shows an expected COL issuance date of July 2011. SCE&G is following two tracks to address the schedule timing: (1) SCE&G is working with the Consortium to formulate a strategy to accommodate the schedule difference by investigating changes to the schedule that will allow multiple activities to proceed simultaneously, and (2) SCE&G, with other AP1000 owners, is working closely with WEC and the NRC to address issues with DCD-17. In addition, SCE&G created a Contingency Team tasked with reviewing all construction activities to determine if there are areas where the schedule can be shortened through, for example, the use of multiple work-shifts and weekend work schedules to absorb any potential delays. SCE&G is working with the Consortium to identify potential strategies that will accelerate non-nuclear construction prior to receiving the COL. Implementing these strategies is expected to free construction resources to focus on nuclear related activities and accelerate nuclear construction once the COL is issued.

The overall construction schedule is aggressive and swift resolution to DCD-17 should not affect the substantial completion dates for Units 2 & 3. However, if slippage for resolution of DCD-17 continues and the COL issuance is delayed into 2012, there may be impacts to the overall schedule.

With respect to the timing of the 146 activities on the Milestone Schedule, the 4th Quarter Report indicates, and ORS has verified, that as of December 31, 2009, 21 activities have been accelerated; 6 activities have been pushed into the future; and 119 activities are unchanged. (It should be noted that these numbers are overall numbers and not individually reflected in the tables below. It should also be noted that Milestone Schedule activity may be accelerated up to 24 months or delayed up to 18 months without further Commission approval.)

As to the completion status of the 146 milestones, 44 activities have been completed and 102 activities remain to be completed. The Milestone Schedule continues to meet the schedule within the parameters of the 18-month window as approved in BLRA Order 2010-12. All milestones scheduled for completion in the 4th Quarter have been completed.

Table 1 below summarizes the completion status of the Milestone Schedule as of December 31, 2009, and as compared to the Milestone Scheduled approved in BLRA Order 2010-12. Table 1 lists milestones completed on-time, early, within the 18-month deviation and milestones that are not complete.

Table 1: Summary of the SCE&G Milestone Schedule compared to the "Approved BLRA" Order Number 2010-12, Docket No. 2009-293-E

Period of 2009-4Q and prior (44 Milestones Total)	
Milestones <u>Completed on Schedule</u> :	36, 81%
Milestones <u>Completed Early</u> :	5, 12%
Milestones <u>Completed Within 18 Mos. Deviation</u> :	3, 7%
Milestones <u>Not Complete</u> :	0
Milestones <u>Outside 18 Mos. Deviation</u> :	0
Period of 2010-1Q and after (102 Milestones Total)	
Milestones <u>Projected Completion on Schedule</u> :	73, 71%
Milestones <u>Projected Completion Early</u> :	20, 20%
Milestones <u>Projected Completed Within 18 Mos. Deviation</u> :	9, 9%
Note: SCE&G lists a total of 146 milestones in its 4th Quarterly Report.	

ORS completed a year-end budget analysis which includes a comparison of actual costs through the 4th Quarter of 2009, forecasted cashflow, escalation and Allowance for Funds Used During Construction ("AFUDC"). The forecasted costs continue to track below the approved budget in Order 2010-12. While AFUDC has increased above the amount reported in the 3rd Quarter Report to \$55.2 Million, corresponding reductions in escalation reduced forecasted cash flow by \$37.6 Million resulting in a net increase in AFUDC of \$17.6 Million. The overall effect of the escalation and AFUDC on the Five-Year Gross Construction Cost continues to support the approved budget. The projected capital cost (2007 Dollars) of \$4.5 Billion continues to be supported by contractual obligations of the EPC contract.

Analysis of AFUDC is important because the BLRA allows any Construction Work in Progress ("CWIP") not included in revised rates to continue to earn AFUDC. The Federal Energy Regulatory Commission ("FERC") sets and defines the AFUDC rate formula and the variables composing the formula. As such, the AFUDC rate changes based on various factors. The AFUDC rate is multiplied by CWIP to arrive at actual AFUDC. The current AFUDC rate as of the end of the 4th Quarter is 7.1%. The forecasted rate applied in Docket No. 2009-293-E was 5.87%. Actual AFUDC will likely increase as a result of variables in the AFUDC formula and the outstanding balance of CWIP.

The BLRA requires escalation rates to be shown using a five-year average. Based on the five-year average, escalation rates continue to decline and reduce the projected project cashflow. Specifically, the 2009 4th Quarter escalation using the five-year average shows a cashflow reduction of \$593.3 Million below the forecasted cashflow in Order 2010-12. A 10-year average, which is more in-line with the project construction schedule, produces a reduction of \$778.3 Million from the forecasted cashflow.

While AFUDC has increased over previous Quarters, as one would expect due to the carrying of CWIP, the decrease in escalation rates results in the project being under budget when compared to the approved forecast cashflow and 2007 capital dollars.

As of the 4th Quarter Report, SCE&G shows \$1.1 Million dollars have been spent from the contingency pool of \$438 Million. Currently, SCE&G is under budget for the actual contingency used versus the 2009 forecast of \$37.8 Million. SCE&G used \$1.1 million or 2.9% of the contingency forecasted for 2009. The contingency dollars that have been spent are largely associated with a change order as well as additional costs in the Owners Cost category. SCE&G forecasts the use of \$71 million contingency dollars in 2010.

There were several shifts in dollars across the eight (8) plant cost categories. The Firm with Fixed Adjustment B category increased due to Change Order #2 regarding the Limited Scope Simulator. Change Order #4 (pending finalization between the Consortium and SCE&G) caused an increase in the Firm with Indexed Adjustment category, an increase in Non-Labor Cost category, and a decrease in Actual Craft wages category. The last cost category, Owners Cost, increased due to updated projections. Examples of updated projections include cost sharing with Santee Cooper, increases in staffing projections, tax credits and increases in licensing, permitting, and regulatory costs. Movements of dollars between cost categories carry potential ramifications for the total cost of the project. Beginning with the 1st quarter report of 2010, SCE&G will begin providing ORS with a complete breakdown of all movement of costs between cost categories, why the movement is necessary, and how it affects the construction 2007 dollars and the total approved BLRA finance cost.

Current world-wide economic conditions continue to reduce cost escalation of the project. However, econometric forecasts are showing inflation beginning to increase as the economy improves. The Gross Domestic Product ("GDP"), as forecast by the U.S. Department of Commerce Bureau of Economic Analysis, indicates an increasing GDP rate over the next three years. While the GDP is not a specific indicator of increasing inflation, it is by its nature,

an indicator of increased spending which can lead to higher inflation. Therefore, ORS is monitoring the GDP for signs of growth. SCE&G also uses a GDP chained-price index as a planning tool for forecasting growth in Owner's Cost; thereby, creating a direct correlation between inflation as a component of GDP and cost forecasts.

During the current reporting period, there have been a number of significant activities initiated and completed. These activities are discussed below:

- During the last two Quarters the site received large "spool" reinforced concrete recirculating water pipe that will connect the operating units with the cooling towers. As of the end of the 4th Quarter, approximately 300+ pieces of the 700+ pieces were received and stored on site. Excavation of the recirculating pipe trench to Unit 2 began and bedding is scheduled to start in the early part of the 1st Quarter of 2010.
- The excavation of the Unit 2 "Table Top" (The area where Unit 2 will be located) is complete. Shaw and its subcontractor began installation of the soldier pile wall that will protect the excavation as it progresses to bedrock.
- Unit 3 Table Top is nearing completion to grade.
- Warehousing, storage and office complex buildings are underway in "construction city." These structures will support engineering, inspection, craft supervision, and indoor storage of delivered materials.
- The main plant access road intersection is complete and approved by SC Department of Transportation. The final surfacing for the main access road is ready for installation pending suitable weather conditions for installation. The bridge over Mayo's Creek is nearing completion and, depending on weather conditions, should be ready for paving along with the access road early in 2010.
- The area where the two large concrete batch plants will be located has been graded to final elevation and delivery of the components for construction of the batch plants is forthcoming.
- Installation of a site potable water system and electrical system is continuing on schedule to support the warehousing and office complexes as they come on-line.

The overall site pre-construction schedule continues to progress well. Weather conditions and the holiday season at the end of 2009 produced some minor delays in work activities. However, the Consortium has been able to make up lost time and all pre-construction schedules are being met.

In conclusion, the 4th Quarterly Report filed by SCE&G complies with the requirements of the BLRA and the Commission's Order. With the exception of DCD-17 issues, the construction is proceeding according to schedule and budget.

SUBSTANTIAL ACTIVITIES OCCURRING SUBSEQUENT TO THE ISSUANCE OF THE 4th QUARTER REPORT

SCE&G's BLRA-required quarterly report covers the period through December 31, 2009 and is required to be made available 45 days after the end of the quarter. As a result there is a lag between the end of the quarter and the report. Previously in this report, ORS noted several items that occurred since December 31, 2009 and reiterates them below.

On January 21, 2010, the Commission approved the updated Milestone Schedule in Docket No. 2009-293-E which revises the BLRA Milestone Schedule by expanding the original 123 milestones to 146 milestones.

Based upon information received from the Company during 2010, ORS has heightened concern about the timely resolution of DCD-17. While the concern will remain until the issuance of the COL, ORS understands that WEC and the NRC are working jointly towards a resolution. ORS initiated meetings directly with Westinghouse for discussion of DCD issues. The next scheduled meeting with Westinghouse is March 17, 2010, at the construction site. In addition, SCE&G and ORS senior management met on Friday, February 26, 2010, and established a weekly conference call to enhance communications.

The NRC continues to hold industry meetings to address all activities associated with the deployment of the AP1000 technology and other technologies such as the Economic Simplified Boiling-Water Reactor ("ESBWR") and the US Advanced Pressurized-Water Reactor ("US-APWR"). In most cases, the NRC has determined that certain aspects of its meetings should be non-public to maintain confidentiality of commercial terms associated with different technologies. ORS has made requests of the NRC to allow ORS representation in the closed meetings due to ORS's regulatory responsibilities. ORS's requests have been denied and ORS continues to explore opportunities for it to be included in the NRC closed meetings.

As reported above, ORS has and will continue to be directly engaged in available avenues for information on the licensing and construction of the V. C. Summer Units 2 & 3.

March 4, 2010	Friends of the Earth appeal of BLRA Order before the South Carolina Supreme Court
March 5, 2010	WEC testing of shield building components at Purdue University
March 17, 2010	ORS meeting with WEC and SCE&G
March 17 & 18, 2010	NRC and WEC meeting on DCD-18
April 2010	NRC issues draft EIS
Spring 2010	WEC Submittal of Final Design Documentation for DCD-17
Summer 2010	NRC Advanced Safety Evaluation Report ("SER")

SCE&G's First Quarter 2010 Report is due 45 days after March 31, 2010. The 45 days falls on Saturday, May 15, 2010 resulting in the report being made available Monday, May 17, 2010.

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF'S
REVIEW OF THE
SOUTH CAROLINA ELECTRIC & GAS COMPANY
2010 1st QUARTER REPORT
FOR THE PERIOD ENDING MARCH 31, 2010
ON THE
BUDGET AND SCHEDULE
OF
V.C. SUMMER UNITS 2 & 3 CONSTRUCTION**



July 26, 2010

Introduction

South Carolina Electric & Gas Company ("SCE&G" or "the Company") submitted its 2010 1st Quarter Report ("Quarterly Report") on construction activities at its V.C. Summer Nuclear Station Units 2 & 3 ("Units 2 & 3") on May 17, 2010. The Quarterly Report covers the first quarter ending March 31, 2010, and is submitted pursuant to S.C. Code Ann. § 58-33-277 (Supp. 2009) of the Base Load Review Act ("BLRA"). Following is the South Carolina Office of Regulatory Staff's ("ORS's") review of the Quarterly Report as well as a report on its field inspections.¹

Milestone Schedule

SCE&G's Milestone Schedule attached to the Quarterly Report shows that overall construction is on schedule. As of March 31, 2010 two of the four work activities scheduled during the 1st quarter are complete. The remaining two, delayed by suppliers, are now scheduled to be completed in the 2nd and 3rd quarters of 2010. In addition, two work activities were accelerated from future quarters. ORS's review of the Milestone Schedule does not identify any issues that impact the substantial completion dates. Appendix A shows details of the Milestone Schedule of March 31, 2010.

Of the total 146 activities on the Milestone Schedule, the Quarterly Report indicates, and ORS has verified, that as of March 31, 2010, 48 activities have been completed and 98 activities remain to be completed. With respect to the timing of the 146 milestones, 35 activities have been accelerated, 14 activities have been rescheduled for the future, and 97 activities are unchanged. Table 1 below summarizes the completion status of the Milestone Schedule as of March 31, 2010.²

Table 1: Summary of the SCE&G Schedule of 146 Milestones

2010 1st Quarter and Prior - 48 Milestones

Milestones	No.	% of Total
Completed on Schedule:	42	87.6%
Completed Early:	3	6.3%
Completed Within 18 Mos. Deviation:	1	2%
Not Complete:	2	4.1%
Outside 18 Mos. Deviation:	0	0%
	48	100%

¹ Appendices D and E show commonly used acronyms, general information on technical items and other helpful information.

² The numbers reported by ORS and SCE&G will vary. For reporting purposes, ORS applies a 30 day threshold before a milestone is deemed accelerated or delayed. SCE&G uses a threshold less than 30 days. For instance, if a milestone is scheduled to be completed July 2, 2010 and the actual completion date is June 29, 2010, SCE&G deems the milestone as completed one month early since it is completed in a prior calendar month. ORS would report this milestone as being done on schedule since it was completed within 30 days of the scheduled completion date.

2010 2nd Quarter and After - 98 Milestones

Milestones	No.	% of Total
Completed Early:	2	2%
Projected Completion on Schedule:	55	56.1%
Projected Completion Early:	30	30.6%
Projected Completed Within 18 Mos. Deviation:	11	11.3%
	98	100%

Specific Construction Activities

The overall site preconstruction schedule is progressing well and photographs of construction are shown in Appendix B. Previously reported earthwork delays caused by poor weather conditions have been resolved with more favorable weather conditions this quarter.

Large pieces of reinforced concrete recirculating water pipe that will connect the operating units with the cooling towers are being delivered to the site. As of March 31, 2010, at least 360 pieces have been installed. Unit 2 circulating water piping installation has flowable fill installed and is complete except for the connections to the main power block and the cooling towers. Unit 3 circulating water piping has the trench dug and piping laid. Flowable fill is being poured.

Excavation of the Unit 2 Table Top (the area where Unit 2 will be located) is complete. The Shaw Group, Inc. ("Shaw") and its subcontractor have completed installation of the soldier pile wall to protect the excavation to bedrock. The Power Block excavation for Unit 2 has begun with approximately 2.8 million cubic yards of earth being excavated.

Unit 3 Table Top is at grade. Driving of the soldier piles has been scheduled.

Warehousing, storage and office complex buildings are underway in "construction city." All structures have slabs completed. These buildings will support engineering, inspection, craft supervision, and indoor storage of delivered materials.

The Mayo Creek Bridge has been completed and is in full use. Grading to the creek is complete with grass planted.

The main access road is complete and providing access to the Units 2 and 3 sites.

Components for the first batch plant have been received and assembled. Testing on concrete designs is underway with plans for the batch plant to be operational during the 3rd quarter of 2010 to support the switchyard construction.

Installation of the site potable water and electrical systems for the warehousing and office complex is continuing on schedule.

The Module Assembly concrete pad has been poured and the vertical construction of the Assembly Building is underway. The components of the first Module, CA 20, are due on site September 1, 2010.

Budget

ORS's budget analysis includes a comparison of actual costs through the 1st Quarter of 2010, forecasted cashflow, escalation, and Allowance for Funds Used During Construction ("AFUDC").

The forecasted AFUDC for the project through the 1st quarter of 2010 was \$329.4 Million based on a forecasted 7.1% AFUDC rate. This is a decrease from the 4th Quarter SCE&G Report.

The BLRA requires that a five-year average of escalation rates be shown. Based on the five-year average, escalation rates continue to decline and reduce the projected project cashflow. Specifically, the 2010 1st quarter escalation using the five-year average shows a cash flow reduction of \$644,773,000 from the forecast in Order No. 2010-12. A 10-year average produces a reduction of \$835,127,000 from the forecast cashflow. Current world-wide economic conditions continue to reduce cost escalation of the project. Currently, the U.S. inflation rate forecast indicates a decrease in escalation for the remainder of 2010. In summary, the decrease in AFUDC and escalation rates results in the project being under budget when compared to the approved forecast cash flow in 2007 capital dollars. Notably, the forecast of gross construction costs as of March 31, 2010, reflects a \$631,155,000 reduction.

The contingency pool is \$438 Million (2007 dollars), including \$46.3 Million in transmission contingencies previously reported by the Company as a separate line item. The Company reports in its 2010 1st Quarter Report that \$1.2 Million (\$1.152 Million without rounding) or 1.5% of the \$78.6 Million 2010 forecasted contingency has been used. Upon review, ORS finds the \$1.2 Million consists of \$1.057 Million reported in the 2009 4th Quarter Report plus an additional \$100,000 of contingency funds used during the 2010 1st quarter. ORS further finds the \$1.057 Million from 2009 was an estimate for the 4th quarter, pending revised Gross Domestic Product ("GDP") price indices. The actual GDP price index for 2009, released by the Federal government during the 2010 1st quarter, reflects a reduction in GDP price indices for 2009 and subsequently revises downward the 2009 contingency dollars used from \$1.057 Million to \$1.052 Million. Therefore, with the addition of the \$100,000 contingency used during the 2010 1st quarter, the total contingency used as of March 31, 2010, is \$1.152 Million.

Currently, five Engineering, Procurement and Construction ("EPC") contract Change Orders exist. Change Order Nos. 1, 2, 3 and 5 are approved while Change Order No. 4 is being processed. See Appendix D for a description of each Change Order. Change Order Nos. 1 and 2 were completed in 2009. Change Order No. 3, approved during the 2010 1st Quarter, addressed rehabilitation of Parr Road and necessitated an increase in the Time and Materials cost category causing SCE&G to apply contingency dollars to cover future costs associated with pavement resurfacing. Change Order No. 4 will increase the amount included within the Firm with Fixed Adjustment category and decrease the amount included within the Actual Craft Wages category by an equal amount resulting in a zero net adjustment to EPC contract costs. Change Order No. 5 was agreed upon during the 2010 1st quarter and approved during the 2010 2nd quarter. Change Order No. 5 modifies Change Order No. 1 by allowing additional instructor training. This modification shifts dollars from the Fixed cost category with 0% escalation to the Time and Materials cost category which is subject to escalation.

For the Owner's Cost category, the Company revised the forecasted contingency dollars previously allocated to this category downward principally due to revisions related to personnel resources over the life of the project. The Company continually monitors its personnel needs and refines its forecasts as the project develops. Further forecast revisions are likely.

Movements of dollars and projected allocations between cost categories cause potential ramifications for the total cost of the project. As a result and at the request of ORS, SCE&G will be providing a breakdown to ORS of all transfers between cost categories, the reason for the transfers, and the impact to the construction in 2007 dollars.

SCE&G and the South Carolina Public Service Authority ("Santee Cooper") Partnership

SCE&G and Santee Cooper (co-owners of 55% and 45% of the project, respectively) continue to operate jointly to construct Units 2 & 3 under the terms established in their Bridge Agreement. Negotiations continue between the two to establish the terms of a final joint ownership contract. In SCE&G's latest Securities and Exchange Commission ("SEC") filing, SCE&G disclosed uncertainty as to Santee Cooper's joint ownership. Specifically, SCE&G stated that "SCE&G is unable to predict whether any change in Santee Cooper's ownership interest or the addition of new joint owners will increase project costs or delay the commercial operation dates of the new units. Any such project cost increase or delay could be material."

Notable Activities Occurring after March 31, 2010

The BLRA allows SCE&G 45 days from the end of the current Quarter to file the Quarterly Report. As a result there may be a 45 day delay between the end of the quarter and the filing. Items of importance that occurred subsequent to the closing of the 1st quarter are reported below.

During a site visit on July 12, 2010, ORS learned that SCE&G allowed foundation work to be performed at its nuclear construction site to accommodate a single large crane for the assembly of Units 2 and 3 as opposed to the two smaller cranes contemplated in the EPC Contract. SCE&G has since reported to ORS that it provided Shaw with a limited authorization to perform the foundation work for the single large crane to ensure that the construction remained on schedule, but informed Shaw that it (Shaw) was acting outside of the terms of the EPC contract at its own risk and that SCE&G was not waiving any of its rights under the EPC contract. SCE&G is in active negotiations with Shaw over the use of the single large crane. ORS will continue to monitor this matter and provide an update in its next quarterly report.

As noted earlier in the Report, Change Order No. 5 was approved during the 2nd quarter.

The Federal Draft Environmental Impact Statement ("DEIS") was issued by the Nuclear Regulatory Commission ("NRC") on April 26, 2010 with a public comment period until July 09, 2010. A public meeting on the DEIS was conducted by the NRC in Jenkinsville, SC on May 27, 2010 with ORS in attendance. The NRC staff's recommendation in the DEIS is that the NRC Combined License ("COL") be issued as requested pending satisfactory resolution of all remaining licensing criteria not covered by the DEIS. The United States Army Corps of Engineers will issue its recommendation for the Clean Water Act section 404 Wetlands Permit after the Final Environmental Impact Statement ("FEIS") is issued. The FEIS is scheduled to be issued February 2011.

The NRC continues to host industry meetings for addressing activities associated with the deployment of AP1000 technology as well as other nuclear technologies. NRC meetings were held

June 9-11, 2010 with Westinghouse Electric Company (“WEC”) on AP1000 Design Certification Amendment – Shield Building Design Methodology. During the public session of the June 9, 2010 meeting, the NRC addressed its October 15, 2009 letter to WEC wherein the NRC had indicated WEC was not promptly and fully providing information requested by the NRC. During the June 9th meeting, the NRC stated, “Westinghouse has addressed the NRC review comments from the October 15 [2009] letter about the Shield Building design in an integrated and complete fashion.” This is also confirmed in a NRC June 21, 2010 letter attached as Appendix C. Additional NRC public meetings were held June 24-25, 2010 by a subcommittee of the NRC Advisory Committee on Reactor Safeguards. ORS participates in NRC meetings open to the public; however, ORS continues to be denied participation in NRC meetings closed to the public.

ORS meets with WEC on a quarterly basis, with the latest meeting held on June 16, 2010 to discuss the status of Design Control Document (“DCD”) 17 and 18 and WEC’s recent meetings with the NRC. During the June 16th meeting with ORS, WEC reported that it submitted complete documentation for all DCD-17 design basis review with the exception of one submittal regarding final off-site testing. WEC reports that the NRC is satisfied with WEC’s submittal on the design basis and that approval of the DCD is forthcoming. DCD-18 is an administrative DCD that captures outstanding items from prior DCDs and provides a means for closure for the formal resolution of all DCD activities. During the June 16th meeting with WEC, ORS was also informed that the NRC established a September 2011 date for rule-making on the COL which is a predecessor event for the issuance of the COL. SCE&G stated in its 2010 1st Quarter Report that it does not expect the COL to be issued by the NRC prior to late 2011 or early 2012.

On June 21, 2010, the NRC issued a letter containing the “Schedule for Completion of the AP1000 Design Certification Amendment Review.” See Appendix C. This schedule confirms September 2011 as the rulemaking date which would lend support to the issuance of the COL shortly thereafter.

Upcoming notable NRC dates are listed below.

July 30, 2010	WEC Final Design Certification Amendment (“DCA”) submittal to NRC
October 2010	NRC Final Safety Evaluation Report (“SER”) information issued
December 2010	ACRS holds final subcommittee meeting on AP1000 DCA and NRC receives WEC DCA Revision 18 ³
February 2011	FEIS issued and Federal Register Notice for Proposed Rulemaking published by NRC
April 2011	Public comment period ends for NRC Proposed Rulemaking
September 2011	NRC Final Rulemaking

SCE&G’s 2010 2nd Quarterly Report is due 45 days after June 30, 2010. ORS expects to continue publishing a report evaluating SCE&G’s Quarterly Report.

³ This language is directly from the NRC June 21, 2010 letter. ORS expects the NRC will receive the DCA with DCDs through Revision 18 on this date.

Items are in order by Scheduled Completion Date in Order 2010-12

Key:	Previous Quarters	Current Quarter	Next Quarter
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Activity Number	Milestone	Order 2010-12	1Q-10	2009: Outside 18 - 24 Month Contingency	2009: Substantial Completion	Actual Completion Date	Deviation from Order 2010-12
16	Start Site Specific And Balance Of Plant Detailed Design	9/11/2007		No	No	9/11/2007	
1	Approve Engineering, Procurement And Construction Agreement	5/23/2008		No	No	5/23/2008	
14	Control Rod Drive Mechanism – Issue PO For Long Lead Material To Fabricator - Units 2 And 3 - First Payment	6/21/2008		No	No	6/21/2008	
34	Start Site Development	6/23/2008		No	No	6/23/2008	
7	Contractor Issue PO To Steam Generator Fabricator - Units 2 & 3	6/30/2008		No	No	5/29/2008	1 month early
8	Contractor Issue Long Lead Material PO To Reactor Coolant Pump. Fabricator - Units 2 & 3	6/30/2008		No	No	6/30/2008	
10	Contractor Issue PO To Reactor Coolant Loop Pipe Fabricator - First Payment- Units 2 & 3	6/30/2008		No	No	6/20/2008	
12	Contractor Issue Long Lead Material - PO To Reactor Vessel Fabricator - Units 2 & 3	6/30/2008		No	No	5/29/2008	1 month early
18	Stream Generator - Issue Final PO To Fabricator For Units 2 & 3	6/30/2008		No	No	6/30/2008	
28	Control Rod Drive Mechanism - Contractor Issue PO For Long Lead Material To Fabricator - Units 2 & 3	6/30/2008		No	No	6/30/2008	
31	Reactor Coolant Pump - Issue Final PO To Fabricator - Units 2 & 3	6/30/2008		No	No	6/30/2008	
4	Contractor Issue PO To Accumulator Tank Fabricator – Unit 2	7/31/2008		No	No	7/31/2008	
3	Contractor Issue PO To Passive Residual Heat Removal Heat Exchanger Fabricator – First Payment - Unit 2	8/31/2008		No	No	8/18/2008	
9	Contractor Issue PO To Pressurizer Fabricator - Units 2 & 3	8/31/2008		No	No	8/18/2008	
5	Contractor Issue PO To Core Makeup Tank Fabricator - Units 2 & 3	9/30/2008		No	No	9/30/2008	
20	Contractor Issue Final PO To Reactor Vessel Fabricator - Units 2 & 3	9/30/2008		No	No	9/30/2008	
17	Instrumentation & Control Simulator - Contractor Place Notice To Proceed - Units 2 & 3	10/31/2008		No	No	10/31/2008	
23	Core Makeup Tank Fabricator Issue Long Lead Material PO - Units 2 & 3	10/31/2008		No	No	10/31/2008	
24	Accumulator Tank Fabricator Issue Long Lead Material PO - Units 2 & 3	10/31/2008		No	No	10/31/2008	
25	Pressurizer Fabricator Issue Long Lead Material PO - Units 2 & 3	10/31/2008		No	No	10/31/2008	
29	Contractor Issue PO To Passive Residual Heat Removal Exchanger Fabricator - Second Payment - Units 2 & 3	10/31/2008		No	No	10/31/2008	
11	Reactor Vessel Internals – Issue Long Lead Material PO To Fabricator Units 2 And 3	11/21/2008		No	No	11/21/2008	
2	Issue POs To Nuclear Component Fabricators For Units 2 And 3 Containment Vessels	12/3/2008		No	No	12/3/2008	
22	Start Clearing, Grubbing And Grading	1/26/2009		No	No	1/26/2009	
33	Design Finalization Payment 3	1/31/2009		No	No	1/30/2009	
30	Start Parr Road Intersection Work	2/13/2009		No	No	2/13/2009	
35	Contractor Issue PO To Turbine Generator Fabricator - Units 2 & 3	2/28/2009		No	No	2/19/2009	
6	Contractor Issue PO To Squib Valve Fabricator- Units 2 & 3	3/31/2009		No	No	3/31/2009	
21	Variable Frequency Drive Fabricator Issue Transformer PO - Units 2 & 3	4/30/2009		No	No	4/30/2009	
26	Reactor Coolant Loop Pipe - Contractor Issue PO To Fabricator - Second Payment - Units 2 & 3	4/30/2009		No	No	4/30/2009	
38	Design Finalization Payment 4	4/30/2009		No	No	4/30/2009	
40	Reactor Coolant Pump Fabricator Issue Long Lead Material Lot 2 - Units 2 & 3	4/30/2009		No	No	4/30/2009	
51	Control Rod Drive Mechanisms - Fabricator To Start Procurement Of Long Lead Material - Unit 2	6/30/2009		No	No	6/30/2009	

Items are in order by Scheduled Completion Date in Order 2010-12

Key:	Previous Quarters	Current Quarter	Next Quarter
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Activity Number	Milestone	Order 2010-12	1Q-10	2009: Outside 18 - 24 Month Contingency	2009: Substantial Completion	Actual Completion Date	Deviation from Order 2010-12
13	Contractor Issue PO To Integrated Head Package Fabricator - Units 2 &3	7/31/2009		No	No	7/31/2009	
15	Issue POs To Nuclear Component Fabricators For Nuclear Island Structural Ca20 Modules	7/31/2009		No	No	8/28/2009	
27	Integrated Head Package - Issue PO To Fabricator - Units 2 & 3 - Second Payment	7/31/2009		No	No	7/31/2009	
42	Design Finalization Payment 5	7/31/2009		No	No	7/31/2009	
44	Reactor Vessel Fabricator Notice To Contractor Of Receipt Of Flange Nozzle Shell Forging - Unit 2	7/31/2009		No	No	8/28/2009	
39	Turbine Generator Fabricator Issue PO For Condenser Material - Unit 2	8/31/2009		No	No	8/28/2009	
36	Contractor Issue PO To Main Transformers Fabricator - Units 2 & 3	9/30/2009		No	No	9/25/2009	
43	Start Erection Of Construction Buildings, To Include Craft Facilities For Personnel, Tools, Equipment; First Aid Facilities; Field Offices For Site Management And Support Personnel; Temporary Warehouses; And Construction Hiring Office	10/9/2009		No	No	12/18/2009	Delayed 2 Months
32	Integrated Heat Packages Fabricator Issue Long Lead Material PO - Units 2 & 3	10/31/2009		No	No	10/1/2009	1 month early
45	Design Finalization Payment 6	10/31/2009		No	No	10/7/2009	
46	Instrumentation And Control/Simulator - Contractor Issue PO To Subcontractor For Rad Monitor Sys - Units 2 & 3	12/31/2009		No	No	12/17/2009	
19	RV I - Contractor Issue PO For Long Lead Material (Heavy Plate And Heavy Forgings) To Fabricator - Units 2 & 3	1/31/2010		No	No	1/29/2010	
54	Steam Generator Fabricator Notice To Contractor Of Receipt Of 2nd Steam Generator Tubesheet Forging - Unit 2	2/28/2010	4/30/2010	No	No		Delayed 2 Months
55	Reactor Vessel Fabricator Notice To Contractor Of Outlet Nozzle Welding To Flange Nozzle Shell Completion - Unit 2	2/28/2010	8/31/2010	No	No		Delayed 6 months
53	Start Excavation And Foundation Work For The Standard Plant For Unit 2	3/15/2010		No	No	3/15/2010	
48	Turbine Generator Fabricator Issue PO For Moisture Separator Reheater/Feedwater Heater Material Unit 2	4/30/2010	4/30/2010	No	No		
49	Reactor Coolant Loop Pipe Fabricator Acceptance Of Raw Material - Unit 2	4/30/2010		No	No	2/18/2010	Completed - 2 months Early
58	Steam Generator Fabricator Notice To Contractor Of Receipt Of 1st Steam Generator Transition Cone Forging - Unit 2	4/30/2010	4/30/2010	No	No		
41	Passive Residual Heat Removal Heat Exchanger Fabricator Receipt Of Long Lead Material - Units 2 & 3	5/31/2010	5/31/2010	No	No		
56	Turbine Generator Fabricator Notice To Contractor Condenser Fabrication Started - Unit 2	5/31/2010	5/31/2010	No	No		
79	Passive Residual Heat Removal Heat Exchanger Fabricator Notice To Contractor Of Final Post Weld Heat Treatment - Unit 2	6/30/2010	6/30/2010	No	No		
57	Complete Preparations For Receiving The First Module On Site For Unit 2	8/18/2010		No	No	1/22/2010	Completed - 7 months early
67	Pressurizer Fabricator Notice To Contractor Of Welding Of Upper And Intermediate Shells Completion - Unit 2	10/31/2010	10/31/2010	No	No		
75	Pressurizer Fabricator Notice To Contractor Of Welding Of Upper And Intermediate Shells Completion - Unit 2	10/31/2010	10/31/2010	No	No		
37	Core Makeup Tank Fabricator Notice To Contractor Receipt Of Long Lead Material - Units 2 & 3	11/30/2010	7/31/2010	No	No		4 months early
52	Contractor Notified That Pressurizer Fabricator Performed Cladding On Bottom Head - Unit 2	11/30/2010	10/31/2010	No	No		1 month early

Items are in order by Scheduled Completion Date in Order 2010-12

Key:	Previous	Current	Next Quarter
	Quarters	Quarter	

Activity Number	Milestone	Order 2010-12	1Q-10	2009: Outside 18 - 24 Month Contingency	2009: Substantial Completion	Actual Completion Date	Deviation from Order 2010-12
59	Reactor Coolant Pump Fabricator Notice To Contractor Of Manufacturing Of Casing Completion Of Unit	11/30/2010	11/30/2010	No	No		
60	Reactor Coolant Loop Pipe Fabricator Notice To Contractor Of Machining, Heat Treating & Non-Destructive Testing Completion - Unit 2	12/31/2010	2/28/2011	No	No		Delayed 2 months
66	Steam Generator Fabricator Notice To Contractor Of Receipt Of 1st Steam Generator Tubing - Unit 2	1/31/2011	2/28/2011	No	No		
80	Passive Residual Heat Removal Heat Exchanger Fabricator Notice To Completion Of Tubing - Unit 2	1/31/2011	3/31/2011	No	No		Delayed 2 months
62	Polar Crane Fabricator Issue PO For Main Hoist Drum And Wire Rope - Units 2 & 3	2/28/2011	2/28/2011	No	No		
61	Core Makeup Tank Fabricator Notice To Contractor Of Satisfactory Completion Of Hydrotest - Unit 2	5/31/2011	5/31/2011	No	No		
72	Steam Generator Fabricator Notice To Contractor Of Completion Of 1st S/G Tubing Installation - Unit 2	5/31/2011	7/31/2011	No	No		Delayed 2 months
47	Reactor Vessel Internals - Fabricator Start Fit And Welding Of Core Shroud Assembly - Unit 2	6/30/2011	2/28/2011	No	No		4 months early
63	Control Rod Drive Mechanisms - Fabricator To Start Procurement Of Long Lead Material - Unit 3	6/30/2011	6/30/2011	No	No		
71	Fabricator Start Fit And Welding Of Core Shroud Assembly - Unit 2	6/30/2011	2/28/2011	No	No		4 months early
76	Steam Generator Fabricator Notice To Contractor Of Completion Of 2nd Steam Generator Tubing Installation - Unit 2	6/30/2011	8/31/2011	No	No		Delayed 2 months
65	Start Placement Of Mud Mat For Unit 2	7/14/2011	7/21/2011	No	No		
70	Reactor Coolant Pump Fabricator Notice To Contractor Of Stator Core Completion - Unit 2	9/30/2011	9/30/2011	No	No		
69	Begin Unit 2 First Nuclear Concrete Placement	10/3/2011	10/3/2011	No	No		
50	Reactor Vessel Internals - Fabricator Start Weld Neutron Shield Spacer Pads To Assembly - Unit 2	10/31/2011	10/31/2011	No	No		
64	Turbine Generator Fabricator Notice To Contractor Of Receipt Of 1st Steam Generator Tubing - Unit 2	10/31/2011	10/31/2011	No	No		
77	Design Finalization Payment 14	10/31/2011	10/31/2011	No	No		
115	Set Unit 2 Containment Vessel Bottom Head On Basemat Legs	11/21/2011	11/21/2011	No	No		
74	Control Rod Drive Mechanism - Ship Remainder Of Equipment (Latch Assembly & Rod Travel Housing) To Head Supplier - Unit 2	12/31/2011	12/31/2011	No	No		
78	Set Module Ca04 For Unit 2	1/27/2012	1/27/2012	No	No		
68	Reactor Vessel Fabricator Notice To Contractor Of Closure Head Cladding Completion - Unit 3	2/28/2012	2/28/2012	No	No		
81	Polar Crane Fabricator Notice To Contractor Of Girder Fabrication Completion - Unit 2	2/28/2012	4/30/2012	No	No		Delayed 2 months
84	Reactor Coolant Pump Fabricator Delivery Of Casings To Port Of Export - Unit 2	3/31/2012	3/31/2012	No	No		
83	Set Containment Vessel Ring #1 For Unit 2	4/3/2012	4/5/2012	No	No		
92	Start Containment Large Bore Pipe Supports For Units 2	4/9/2012	6/22/2012	No	No		Delayed 2 months
98	Passive Residual Heat Removal Heat Exchanger - Delivery Of Equipment To Port Of Entry - Unit 2	4/30/2012	2/28/2012	No	No		2 months early
89	Squib Valve Fabricator Notice To Contractor Of Completion Of Assembly And Test For Squib Valve Hardware - Unit 2	5/31/2012	8/31/2012	No	No		Delayed 3 months
96	Steam Generator Fabricator Notice To Contractor Of Satisfactory Completion Of 1st Stream Generator Hydrotest - Unit 2	5/31/2012	5/31/2012	No	No		

Items are in order by Scheduled Completion Date in Order 2010-12

Key:	Previous Quarters	Current Quarter	Next Quarter

Activity Number	Milestone	Order 2010-12	1Q-10	2009: Outside 18 - 24 Month Contingency	2009: Substantial Completion	Actual Completion Date	Deviation from Order 2010-12
91	Polar Crane Fabricator Notice To Contractor Of Electric Panel Assembly Completion - Unit 2	7/31/2012	1/31/2012	No	No		6 months early
88	Set Nuclear Island Structural Module Ca03 For Unit 2	8/30/2012	9/4/2012	No	No		
86	Reactor Vessel Fabricator Notice To Contractor Of Receipt Of Core Shell Forging - Unit 3	9/30/2012	9/30/2012	No	No		
93	Integrated Head Package - Shipment Of Equipment To Site - Unit 2	10/31/2012	1/31/2013	No	No		Delayed 3 months
94	Reactor Coolant Pump Fabricator Notice To Contractor Of Final Stator Assembly Completion - Unit 2	11/30/2012	11/30/2012	No	No		
73	Reactor Coolant Loop Pipe - Shipment Of Equipment To Site - Unit 2	12/31/2012	7/31/2011	No	No		17 months early
90	Accumulator Tank Fabricator Notice To Contractor Of Satisfactory Completion Of Hydrotest - Unit 3	12/31/2012	12/31/2012	No	No		
87	Contractor Notified That Pressurizer Fabricator Performed Cladding On Bottom Head - Unit 3	1/31/2013	12/31/2011	No	No		13 months early
97	Start Concrete Fill Of Nuclear Island Structural Modules Ca01 And Ca02 For Unit 2	2/26/2013	2/28/2013	No	No		
99	Refueling Machine Fabricator Notice To Contractor Of Satisfactory Completion Of Factory Acceptance Test - Unit 2	2/28/2013	8/31/2012	No	No		6 months early
102	Steam Generator - Contractor Acceptance Of Equipment At Port Of Entry - Unit 2	3/31/2013	1/31/2013	No	No		2 months early
101	Set Unit 2 Containment Vessel	4/17/2013	4/19/2013	No	No		
103	Turbine Generator Fabricator Notice To Contractor Turbine Generator Ready To Ship - Unit 2	4/30/2013	7/31/2013	No	No		Delayed 3 months
106	Receive Unit 2 Reactor Vessel On Site From Fabricator	5/20/2013	5/24/2013	No	No		
95	Steam Generator Fabricator Notice To Contractor Of Completion Of 2nd Steam Generator Tubing Installation - Unit 3	5/31/2013	4/30/2013	No	No		1 month early
105	Polar Crane - Shipment Of Equipment To Site - Unit 2	5/31/2013	11/30/2012	No	No		6 months early
107	Set Unit 2 Reactor Vessel	6/18/2013	6/20/2013	No	No		
100	Deliver Reactor Vessel Internals To Port Of Export - Unit 2	7/31/2013	7/31/2013	No	No		
111	Place First Nuclear Concrete For Unit 3	8/1/2013	8/2/2013	No	No		
82	Turbine Generator Fabricator Notice To Contractor Condenser Ready To Ship - Unit 3	8/31/2013	8/31/2013	No	No		
85	Reactor Coolant Pump Fabricator Notice To Contractor Of Stator Core Completion - Unit 3	8/31/2013	8/31/2013	No	No		
112	Set Unit 2 Steam Generator	9/9/2013	9/11/2013	No	No		
110	Reactor Coolant Pump - Shipment Of Equipment To Site (2 Reactor Coolant Pumps) - Unit 2	9/30/2013	9/30/2013	No	No		
113	Main Transformers Ready To Ship - Unit 2	9/30/2013	2/28/2013	No	No		7 months early
108	Steam Generator Fabricator Notice To Contractor Of Completion Of 2Nd Channel Head To Tubesheet Assembly Welding - Unit 3	12/31/2013	11/30/2013	No	No		1 month early
116	Set Unit 2 Pressurizer Vessel	1/24/2014	1/28/2014	No	No		
104	Pressurizer Fabricator Notice To Contractor Of Satisfactory Completion Of Hydrotest - Unit 3	2/28/2014	3/31/2013	No	No		11 months early
114	Complete Unit 3 Steam Generator Hydrotest At Fabricator (9.1Q:Reactor Vessel Internals - Fabricator Start Perform Guide Tubes Free Path Test - Unit 3)	2/28/2014	3/31/2014	No	No		Delayed 1 month
120	Complete Welding Of Unit 2 Passive Residual Heat Removal System Piping	3/19/2014	3/21/2014	No	No		

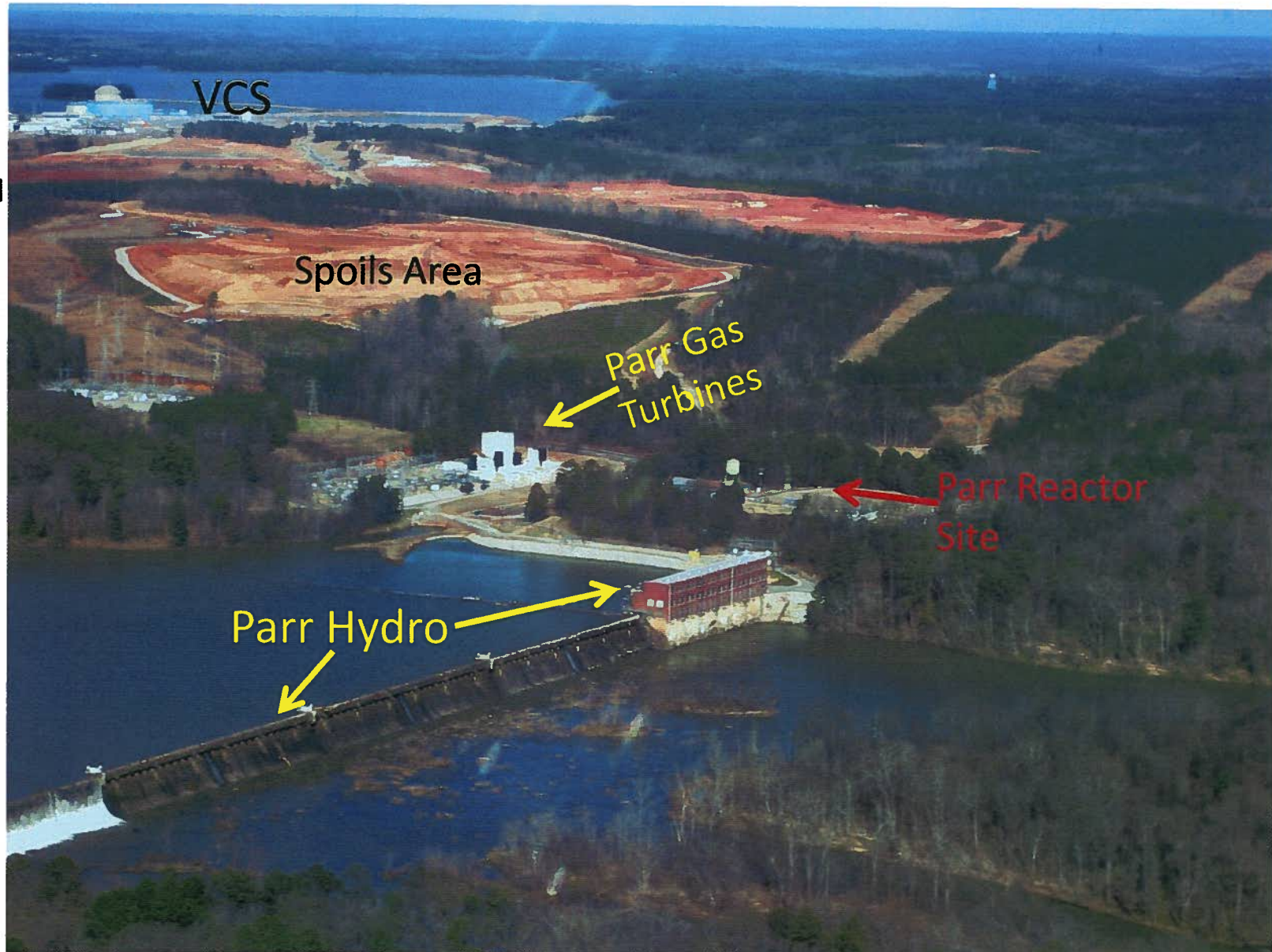
Items are in order by Scheduled Completion Date in Order 2010-12

Key:	Previous	Current	Next Quarter
	Quarters	Quarter	

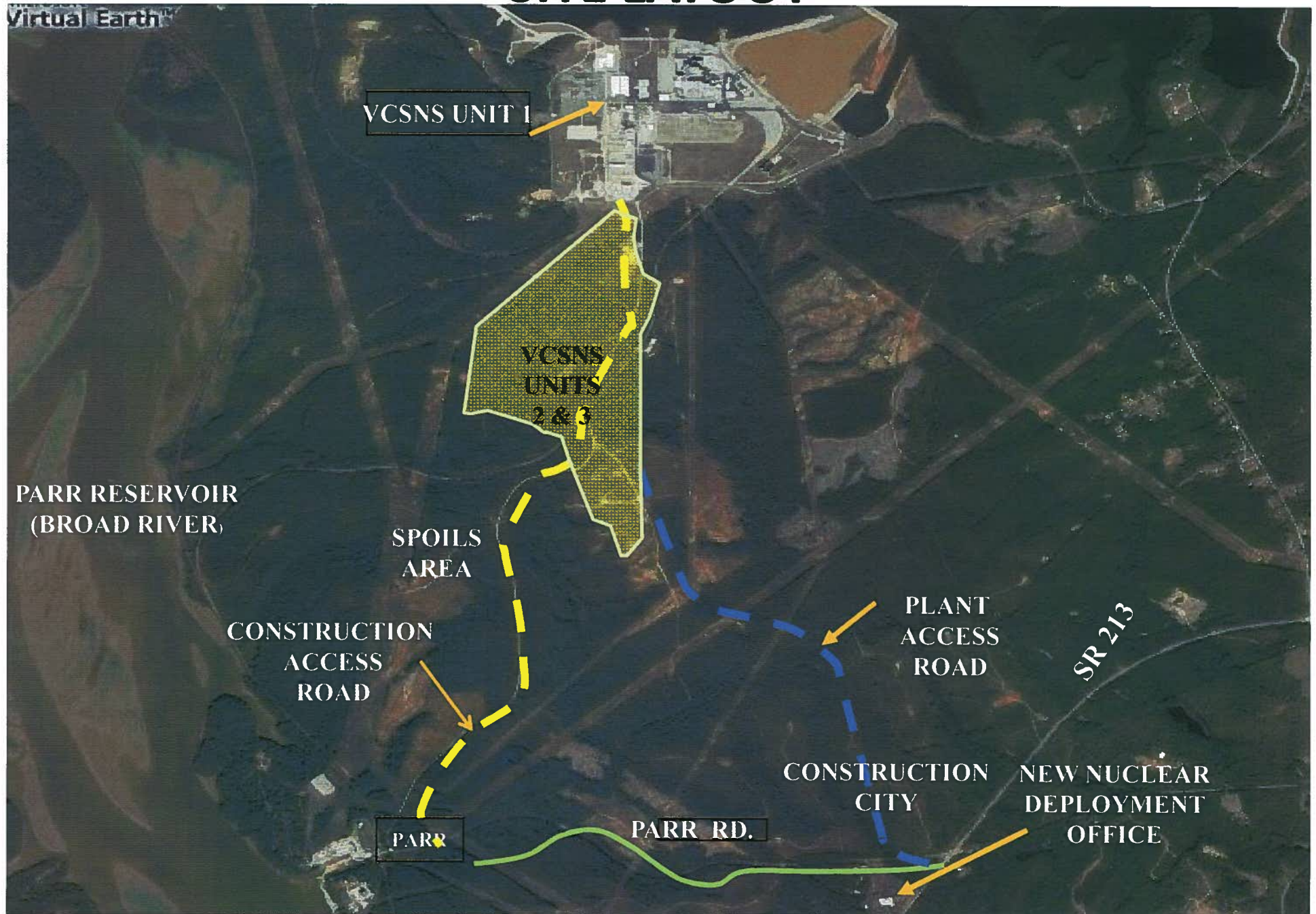
Activity Number	Milestone	Order 2010-12	1Q-10	2009: Outside 18 - 24 Month Contingency	2009: Substantial Completion	Actual Completion Date	Deviation from Order 2010-12
123	Set Unit 2 Polar Crane	4/3/2014	4/7/2014	No	No		
119	Main Transformers Fabricator Issue PO For Material - Unit 3	4/30/2014	8/31/2013	No	No		8 months early
122	Refueling Mach - Shipment Of Equipment To Site - Unit 3	5/31/2014	5/31/2014	No	No		
109	Reactor Coolant Pump Fabricator Notice To Contractor Of Final Stator Assembly Completion - Unit 3	8/31/2014	8/31/2014	No	No		
125	Main Transformers Ready To Ship - Unit 3	9/30/2014	9/30/2014	No	No		
127	Start Electrical Cable Pulling In Unit 2 Auxiliary Building	12/26/2014	12/18/2014	No	No		
126	Spent Fuel Storage Rack - Shipment Of Last Rack Module - Unit 3	12/31/2014	8/31/2014	No	No		4 months early
117	Reactor Coolant Pump Fabricator Notice To Contractor Of Satisfactory Completion Of Factory Acceptance Test - Unit 3	2/28/2015	12/31/2014	No	No		2 months early
129	Activate Class 1e Dc Power In Unit 2 Auxiliary Building	3/5/2015	2/27/2015	No	No		
121	Steam Generator Contractor Acceptance Of Equipment At Port Of Entry - Unit 3	4/30/2015	2/28/2015	No	No		2 months early
118	Deliver Reactor Vessel Internals To Port Of Export - Unit 3	6/30/2015	6/30/2015	No	No		
124	Reactor Coolant Pumps - Shipment Of Equipment To Site - Unit 3	6/30/2015	6/30/2015	No	No		
131	Install Unit 3 Ring 3 For Containment Vessel	7/30/2015	4/14/2015	No	No		3 months early
128	Complete Unit 2 Reactor Coolant System Cold Hydro	8/3/2015	7/7/2015	No	No		
130	Complete Unit 2 Hot Functional Test	9/21/2015	8/27/2015	No	No		
134	Set Unit 3 Reactor Vessel	10/1/2015	6/15/2015	No	No		4 months early
132	Load Unit 2 Nuclear Fuel	10/28/2015	10/26/2015	No	No		
135	Set Unit 3 Steam Generator #2	12/22/2015	9/2/2015	No	No		3 months early
133	Unit 2 Substantial Completion	4/1/2016	4/1/2016	No	No		
136	Set Unit 3 Pressurizer Vessel	5/16/2016	1/20/2016	No	No		4 months early
137	Complete Welding Of Unit 3 Passive Residual Heat Removal System Piping	6/20/2016	3/2/2016	No	No		3 months early
138	Set Unit 3 Polar Crane	7/18/2016	3/29/2016	No	No		4 months early
139	Start Unit 3 Shield Building Roof Slab Rebar Placement	1/16/2017	9/26/2016	No	No		4 months early
140	Start Unit 3 Auxiliary Building Electrical Cable Pulling	4/6/2017	12/13/2016	No	No		4 months early
141	Activate Unit 3 Auxiliary Building Class 1E Dc Power	6/9/2017	2/17/2017	No	No		4 months early
142	Complete Unit 3 Reactor Coolant System Cold Hydro	1/1/2018	6/20/2017	No	No		7 months early
143	Complete Unit 3 Hot Functional Test	2/15/2018	5/14/2018	No	No		Delayed 3 Months
144	Complete Unit 3 Nuclear Fuel Load	7/31/2018	6/26/2018	No	No		1 month early
145	Begin Unit 3 Full Power Operation	10/31/2018	10/23/2018	No	No		
146	Unit 3 Substantial Completion	1/1/2019	1/1/2019	No	No		

Site Orientation

✖
Fairfield
Pumped
Storage



SITE LAYOUT



VC Summer Site - Jan 2010

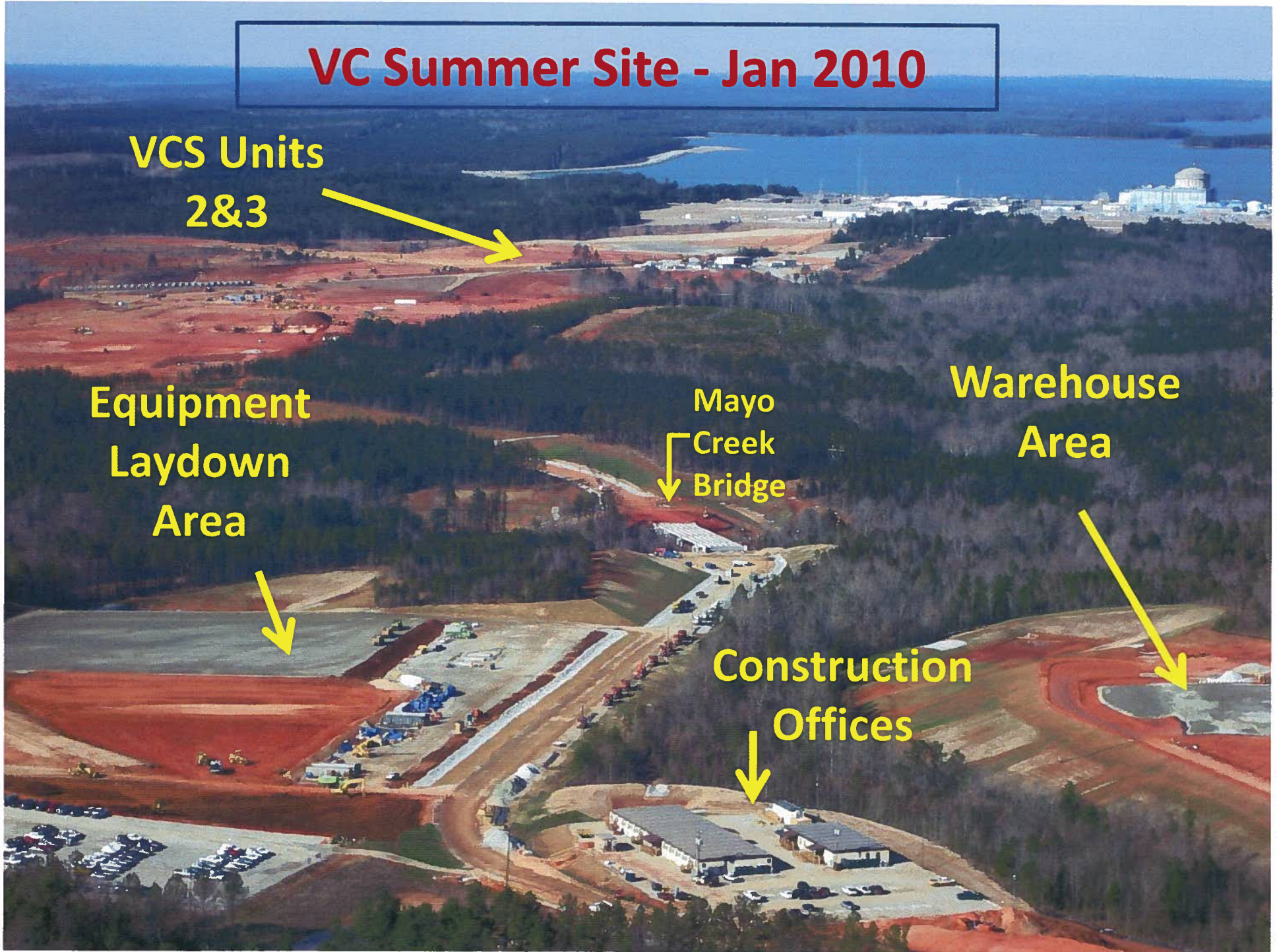
VCS Units
2&3

Equipment
Laydown
Area

Mayo
Creek
Bridge

Warehouse
Area

Construction
Offices

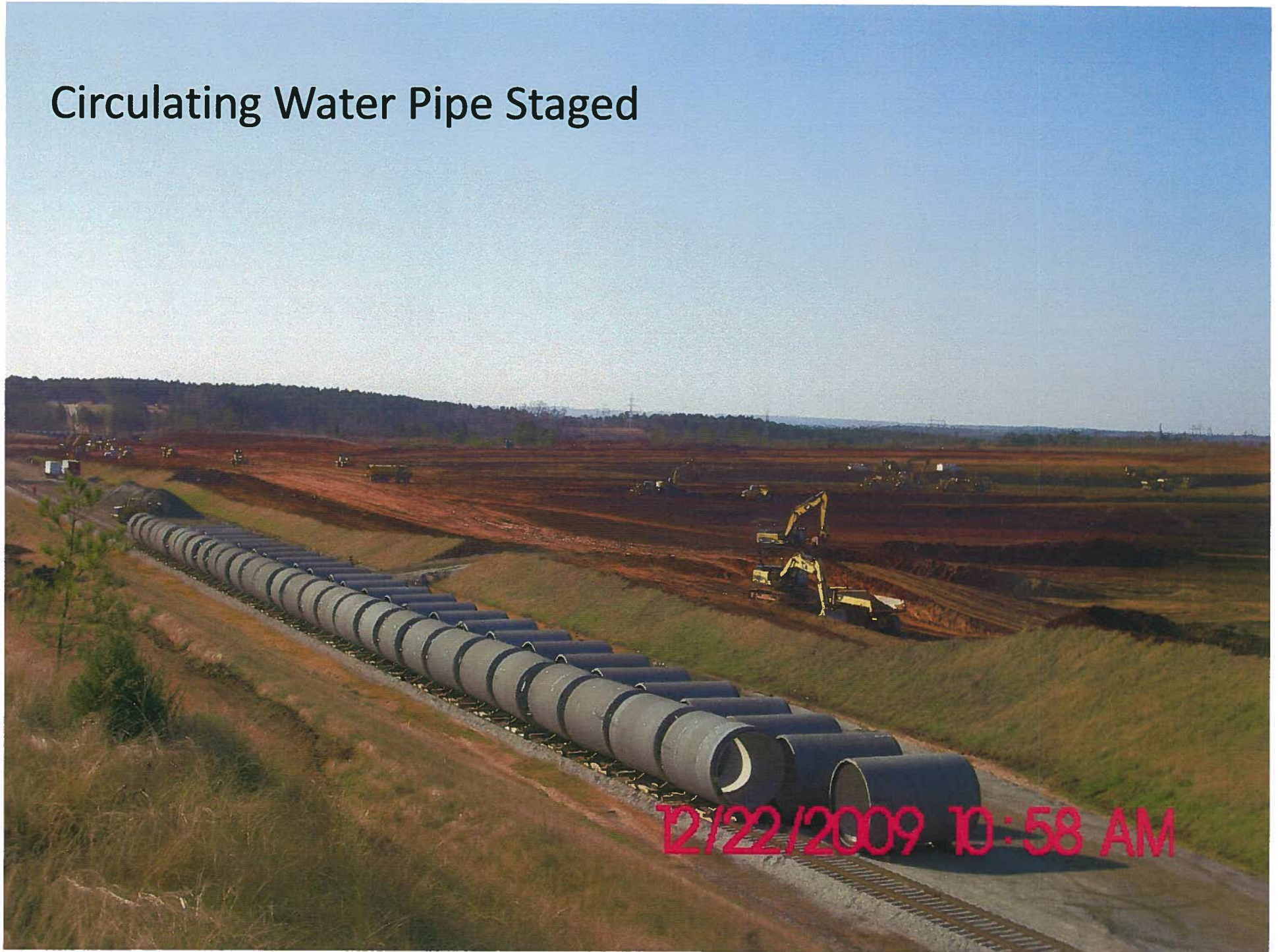


Circulating Water Pipe

16 ft - 64,000 lb sections ship to site Dec 09



Circulating Water Pipe Staged



12/22/2009 10:58 AM

APPENDIX C

June 21, 2010

Sadler D. "Sandy" Rupprecht
Vice President, Regulatory Affairs and Strategy
Westinghouse Electric Company
Nuclear Power Plants
273A Cranberry Woods Headquarters
1000 Westinghouse Drive
Cranberry Township, PA 16066

SUBJECT: SCHEDULE FOR THE AP1000 DESIGN CERTIFICATION AMENDMENT
REVIEW

Dear Mr. Rupprecht:

The purpose of this letter is to communicate the schedule for the AP1000 Design Certification Amendment (DCA) application review and the U.S. Nuclear Regulatory Commission's (NRC's) expectations.

On October 15, 2009, NRC sent a letter to Westinghouse Electric Company (Westinghouse) in response to the August 31, 2009, Westinghouse shield building design submittal. In its letter, NRC said that it had determined that the proposed design of the shield building would require modifications in some specific areas in order to ensure its ability to perform its safety function under design basis loading conditions and to support a finding that would meet applicable regulations. NRC also said that the impact on the review schedule for the DCA review would be established after discussion with Westinghouse about its plans to address NRC's determination.

In response to the NRC's October 15, 2009 letter, Westinghouse submitted a report titled, "Design Report for the AP1000 Enhanced Shield Building, Revision 2" on May 7, 2010. This report included detailed design analyses, the benchmarking analysis, and some test results. With the receipt and preliminary evaluation of Revision 2, and discussions with Westinghouse regarding schedule, the NRC has a better understanding of how Westinghouse plans to address NRC's concerns and is now able to establish the review schedule for the balance of the AP1000 design review.

The NRC has established an aggressive goal of completing the AP1000 design certification rulemaking by the end of fiscal year 2011 to support the needs of the Vogtle and Summer combined license (COL) applications and their associated construction plans. Completion of the rulemaking by the end of September 2011 will not be easy. A number of technical issues remain on the application and it will require substantial commitment of resources and the attention of senior management by both Westinghouse and the COL applicants to drive technical issues to closure in a time frame that would support the schedule below.

There are several critical milestones that Westinghouse must meet in order to achieve the schedule. First, Westinghouse must establish the complete scope of the DCA with defined closure plans for all known issues by the end of June 2010. Second, Westinghouse must

provide all necessary licensing documentation to support resolution of known technical issues by the end of July, 2010. If these milestones are met, the staff will work aggressively to complete the technical review by the end of August 2010 and will work with the Advisory Committee on Reactor Safeguards (ACRS) so that it will be able to complete its oversight reviews by December 2010. Further, the staff is implementing additional innovative ways to expedite the rulemaking process to achieve the listed milestones.

The following is the schedule that we have established:

Schedule for Completion of the AP1000 Design Certification Amendment Review	
Action	Completion Date
NRC finalizes AP1000 DCA review scope and closure strategy for remaining issues	June 30, 2010
NRC receives final Westinghouse DCA submittal	July 30, 2010
NRC technical staff completes Final Safety Evaluation Report (FSER) inputs	August 30, 2010
NRC issues final advanced FSER information issued to the ACRS	October 18, 2010
ACRS holds final subcommittee meeting on AP1000 DCA	November 18, 2010
ACRS holds final full committee meeting on AP1000 DCA	December 2, 2010
NRC receives Westinghouse DCA Revision 18 submittal	Early-December 2010
NRC publishes Federal Register Notice for Proposed Rule	February 2011
Public comment period ends	April 2011
Final Rule	September 2011

There is no margin in this schedule that would permit movement of these critical milestones and still achieve the goal of completing the rulemaking by the end of September 2011. While the staff has increased its attention to meeting the schedule, we will assure that the design meets all applicable NRC regulatory requirements before we proceed to certification rulemaking.

In summary, NRC believes that completion of the AP1000 DCA safety evaluation by the end of calendar year 2010 is aggressive yet achievable with substantial management oversight and commitment from Westinghouse to meet the established milestones with quality submittals that resolve identified technical issues. The staff's review will require Westinghouse management to maintain frequent interactions as recently established. The NRC also expects Westinghouse to maintain a high level of commitment to provide the necessary information to the NRC in accordance with the above schedule. If you have questions regarding these matters, please contact Mr. Frank Akstulewicz at (301) 415-1199.

Sincerely,

/RA/

David B. Matthews, Director
Division of New Reactor Licensing
Office of New Reactors

Docket No. 52-0006
cc: See next page

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NRO-002

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DATE	06/17/2010	06/ 17 /2010	06/ 17/2010	06/21/2010	06/ 17 /2010

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(Revised 05/04/2010)

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GLOSSARY

Quarterly Reports

Quarterly Reports are submitted pursuant to S.C. Code Ann. § 58-33-277 (Supp. 2009) of the Base Load Review Act (“BLRA”). The BLRA requires South Carolina Electric & Gas Company (“SCE&G”) to document the construction schedule, budget expenditures, completed activities, forecasts of activities to be completed, and any revisions to the original schedule and budget of Units 2 & 3. The South Carolina Office of Regulatory Staff (“ORS”) monitors the above items and although not required, ORS generally publishes a written report of its review of the Quarterly Reports.

Substantial Completion Dates for V.C. Summer Nuclear Station Units 2 & 3

Unit 2 – April 2016

Unit 3 – January 2019

Milestone Schedule

On March 2, 2009, a Milestone Schedule was approved by the Public Service Commission of South Carolina (“Commission”) in Order No. 2009-104(A) in Docket No. 2008-196-E. On July 21, 2009, SCE&G filed an “Update of Construction Progress and Request for Updates and Revisions to Schedules.” This filing was entered as Docket No. 2009-293-E by the Commission and contained a request by the Company to update its Milestone Schedule. This updated Milestone Schedule expanded the original 123 milestones to 146 milestones. The expansion to 146 milestones did not omit any original milestones but unbundled several of the 123 milestones into additional milestones to allow for closer tracking of specific activities. In addition, it aligned the Milestone Schedule more closely with the Performance Measurement Baseline Schedule (“PMBS”). On January 21, 2010 in Order Number 2010-12, the Commission approved the updated Milestone Schedule. In addition, SCE&G is permitted to accelerate or delay Milestone Schedule activity up to 24 or 18 months, respectively, without requiring further Commission approval. All ORS monitoring is based on the updated Milestone Schedule.

Performance Measurement Baseline Schedule (“PMBS”)

In addition to the Milestone Schedule, ORS also monitors the PMBS. While the Milestone Schedule provides an overall assessment of the construction progress, the PMBS allows specific day-to-day construction monitoring. The PMBS is the contractual schedule used by Westinghouse Electric Company (“WEC”) and Shaw (together as “the Consortium”) and SCE&G to establish the scheduling goals, forecast of cash flow and accountabilities required in the Engineering, Procurement and Construction (“EPC”) contract. The PMBS contains completion dates, payment dates, and critical dates for completion of certain activities prior to the start of other activities. The PMBS receives frequent revisions due to numerous internal and external influences such as weather, delivery schedules, progress of construction, and manufacturing.

Allowance for Funds Used During Construction (“AFUDC”)

The Federal Energy Regulatory Commission (“FERC”) sets and defines the AFUDC rate formula and the variables composing the formula. As such, the AFUDC rate changes based on various factors including the cost of long-term debt, short-term debt, and the latest Commission approved return on common equity. Construction Work in Progress (“CWIP”) is multiplied by the AFUDC rate to arrive at actual AFUDC. The BLRA allows any CWIP not included in revised rates to continue to earn AFUDC.

Change Orders

Change Order No.	Description
1	Reactor Operator Training
2	Limited Scope Simulator
3	Parr Road Rehabilitation
4	Transfer of module fabrication and site assembly scope of work from WEC to Shaw
5	Additional Reactor Operator Training

Commonly Used Acronyms and References

ACRS	NRC Advisory Committee on Reactor Safeguards
AFUDC	Allowance for Funds Used During Construction
AP1000	The name of the nuclear unit model
BLRA	Base Load Review Act
COL	NRC Combined License
Commission	Public Service Commission of South Carolina
Consortium	Westinghouse Electric Company and The Shaw Group, Inc.
CWIP	Construction Work in Progress
DCA	Design Certification Amendment
DCD	Design Control Document
DEIS	Draft Federal Environmental Impact Statement
FEIS	Federal Environmental Impact Statement
EPC	Engineering, Procurement and Construction contract
FERC	Federal Energy Regulatory Commission
NRC	Nuclear Regulatory Commission
ORS	South Carolina Office of Regulatory Staff
PMBS	Performance Measurement Baseline Schedule
PSC	Public Service Commission of South Carolina
Santee Cooper	South Carolina Public Service Authority
SCE&G	South Carolina Electric & Gas Company
SEC	Securities and Exchange Commission
SER	NRC Safety Evaluation Report
Shaw	The Shaw Group, Inc.
Units 2 & 3	SCE&G V.C. Summer Nuclear Station Units 2 & 3
WEC	Westinghouse Electric Company